

groups. In our party, the people are the politicians. We don't have any big machines, we don't have bosses. Ideas spring up from the grassroots in our Republican Party.

Let's put an end to the Democratic double-talk and let's answer their slander like you'd answer an attack on your individual honesty or on your personal honor. We invite comparison as Republicans. If they insist, let's call the roll of the Democratic presidential hopefuls, and ask them where they find anybody there indicating that theirs is a party of the people. Averell Harriman, who inherited untold millions of dollars from his ancestors, wants to be the Democratic president. My colleague, Senator KENNEDY, nice fellow that he is, inherited millions of dollars from his father and his family is among the richest families in the country. But neither Harriman nor KENNEDY ever had to work for a living. Is this what we mean by government of the people? Soapy Williams, the recipient of inherited millions from the soap factories owned by his predecessors and his ancestors. I submit to you that no racing stable in American history ever had a

card of millionaire entries such as the Democrats have as candidates for President. The only average American they offer in their whole stable is my old friend, ESTES KEEFAUVER. They push him around, and kick him around, and build him up till he gets close, and then tear him down at their conventions because he doesn't have a hundred million dollars. It's about time you and I began answering these slanders when they call us the party of the privileged, the party of the rich. I don't know who's going to be the Republican candidate for President, but I'm pretty sure he's going to be somebody who's built himself up in the American way. A fellow who's got an American background of hard work and of having achieved success by his own efforts—a man whose sole claim to prominence is not the fact that his father had a few hundred million dollars. I submit that you and I have a responsibility to compare our Republican team with these solid gold Cadillac candidates that the other side is bringing up.

So I say in conclusion, it's wonderful to be a Republican. What a record. What a background. What a present series of

achievements we're able to produce. And what fine, wonderful candidates available to us. We invite comparison. We challenge the other party to look at the records and compare them. And if we will just get smart enough to use arithmetic and comparison, and not let ourselves be frightened away by the adjectives thrown at us by the other party, we'll begin to recognize our responsibilities and our opportunities, and what it means to be a Republican. I'm convinced if we do that, we'll deserve to win. I am sure you can win in Kansas in 1958, because people will be proud to be Republicans. You'll have a loyalty to the party, which people should have, as they have a loyalty to their family, to their church, and to their God and their country. You should be loyal to your party. Let us invite in other people who want to loyally subscribe to these principles and concepts, and make them feel welcome as Republicans. In that way, we can win in 1958 and we can win in 1960, because we shall deserve the victory which is ours. Good luck to our common cause.

SENATE

THURSDAY, APRIL 17, 1958

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Our Father, God, for the beauty which fills the earth, for the love which hallows our homes, for the joy which springs from work well done, we thank Thee, from whom all blessings flow.

Our gladness is shadowed as we come this new day to the problems and tasks which here await. So often in this Chamber our hearts are saddened by the sudden departure of those who, by the people of their State, have been given a place in this body. Having answered every call of duty across long years of devoted service, they join those who answer not, however we may call.

This day we mourn the loss of one who, before his faithful tenure here, served his State in other fields with vision and devotion; who was from the common people, and of them; and who put the common good before all other concerns. We rejoice today that this son of North Carolina, so calm in his outward demeanor, yet so dynamic in his energetic spirit, lifted the fellowship and the interests of Thy church above his highest joy, and that crowded years found him always faithful in her worship, where his soul was fed, and in her councils, where he had an honored place.

We pray that the sorrowing family of this good workman, who needed not to be ashamed, may know, in this hour of their loss, the consolation of Thy grace and of the faith which their dear one kept, as he fought the good fight. And after the fever and fret of our brief day, bring us all to the homeland of Thy eternal love: We ask in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. JOHNSON of Texas, and by unanimous consent, the reading

of the Journal of the proceedings of Wednesday, April 16, 1958, was dispensed with.

MESSAGES FROM THE PRESIDENT— APPROVAL OF BILLS

Messages in writing from the President of the United States were communicated to the Senate by Mr. Miller, one of his secretaries, and he announced that the President had approved and signed the following acts:

On April 3, 1958:

S. 3262. An act to authorize certain activities by the Armed Forces in support of the VIII Olympic Winter Games, and for other purposes.

On April 7, 1958:

S. 1082. An act for the relief of Katina Apostolou;

S. 2062. An act for the relief of Yasna Trevizan;

S. 2120. An act to authorize the Secretary of the Interior to construct, rehabilitate, operate, and maintain the lower Rio Grande rehabilitation project, Texas, Mercedes division; and

S. 2124. An act for the relief of Tasla J. Somas.

On April 11, 1958:

S. 1386. An act to authorize the Interstate Commerce Commission to prescribe rules, standards, and instructions for the installation, inspection, maintenance, and repair of power or train brakes;

S. 1562. An act for the relief of Winifred C. Lydick;

S. 1740. An act to authorize the payment from the Employees' Life Insurance Fund of expenses incurred by the Civil Service Commission in making certain beneficial association assumption agreements and to extend the time for making such agreements;

S. 1877. An act for the relief of Louis G. Whitcomb; and

S. 2132. An act for the relief of Leonard C. Fink.

EXECUTIVE MESSAGE REFERRED

As in executive session,

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting several nominations, which was referred to the Committee on Armed Services.

(For nominations this day received, see the end of Senate proceedings.)

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed a bill (H. R. 2767) to amend section 161 of the Revised Statutes with respect to the authority of Federal officers and agencies to withhold information and limit the availability of records, in which it requested the concurrence of the Senate.

The message also announced that the House had agreed to the concurrent resolution (S. Con. Res. 77) to extend greetings to the Federal Legislature of the West Indies.

HOUSE BILL REFERRED

The bill (H. R. 2767) to amend section 161 of the Revised Statutes with respect to the authority of Federal officers and agencies to withhold information and limit the availability of records was read twice by its title and referred to the Committee on the Judiciary.

COMMITTEE TO ATTEND FUNERAL OF THE LATE SENATOR W. KERR SCOTT OF NORTH CAROLINA

The PRESIDENT pro tempore. Pursuant to the second resolving clause of Senate resolution 290, agreed to on April 16, 1958, the Chair appoints as the committee, on the part of the Senate, to attend the funeral of W. KERR SCOTT, late a Senator from the State of North Carolina, the following Senators: Mr. CARLSON, Mr. CARROLL, Mr. CHAVEZ, Mr. COTTON, Mr. EASTLAND, Mr. ELLENDER, Mr. ERVIN, Mr. FREAR, Mr. HOLLAND, Mr. JOHNSTON of South Carolina, Mr. KENNEDY, Mr. LAUSCHE, Mr. REVERCOMB, Mr. RUSSELL, Mr. STENNIS, Mr. TALMADGE, and Mr. YOUNG.

THE COMMUNITY FACILITIES ACT OF 1958—REPRINT OF BILL

Mr. WATKINS. Mr. President, yesterday during the consideration of S. 3497, the Community Facilities Act of 1958, the Senate adopted an amendment,

proposed by me, inserting on page 4, line 14, after the word "employment", a comma and the words "and by the then current urgency of the need for construction, repair, or employment of non-profit hospitals."

The bill, after its passage, was so engrossed. It appears that the use of the word "employment" in the amendment was a clerical error, and that the word "improvement" should have been used in lieu thereof.

I therefore ask unanimous consent that the Secretary be authorized to have a star print made of the bill showing the correction as above indicated.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Utah? The Chair hears none, and it is so ordered.

REFERENCE TO COMMITTEES OF VETO MESSAGES ON FARM JOINT RESOLUTION AND RIVERS AND HARBORS BILL

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the President's veto message on the agricultural joint resolution (S. J. Res. 162) be referred to the Committee on Agriculture and Forestry for study and action.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that the President's veto message on the rivers and harbors bill (S. 497) be referred to the Senate Committee on Public Works for study and action.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. JOHNSON of Texas. Mr. President, I have just asked and obtained unanimous consent that the two veto messages from the President, which are before the Senate, be referred to the appropriate committees, for hearings. I should like to make a brief statement about my reasons for the request.

There is no intention on the part of the leadership to have the Senate act precipitately or hastily on these matters. In both messages there are many points which are difficult to understand.

But we believe the President should have his "day in court." Of course, there is a difference in philosophy regarding agriculture between a majority of the Members of Congress—a majority which represents both parties—and the Secretary of Agriculture, Mr. Ezra Taft Benson.

Many of our farmers feel a sense of loss. They do not object when the Secretary of Labor does a good job for labor. They do not object when the Secretary of Commerce does a good job for business. They do not object when the Secretary of the Treasury does a good job for bankers. But our farmers do feel bewildered that the Secretary of Agriculture should have authority to force farm prices lower, when farm income has declined 21 percent since 1952.

I ask unanimous consent to have printed in the RECORD at this point in my remarks a table from the President's 1953

Economic Report, showing the sources of personal income in this country.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Sources of personal income from President's 1953 Economic Report, p. 129

[Billions of dollars]

Year	Labor income ¹	Business and professional	Rental income of persons	Dividends	Personal interest income	Farm income
1952...	190.3	25.7	9.9	9.0	12.3	14.3
1953...	203.4	25.9	10.2	9.3	13.7	13.9
1954...	201.7	25.9	10.6	9.9	15.0	12.2
1955...	217.3	27.3	10.2	11.0	16.1	11.6
1956...	234.8	28.0	10.3	11.9	17.6	12.1
1957 ² ...	246.6	28.7	10.4	12.3	18.8	11.5

¹ Wage and salary disbursements and other labor income excluding employer contributions for social insurance.

² Preliminary.

Mr. JOHNSON of Texas. Personally, I feel that the President's veto of the farm resolution was based upon misunderstandings. But I have a great and a high respect for the office of the Presidency. I feel that the President's words should be considered with greatest care by the appropriate committees of this body.

I have asked the chairman of the Senate Committee on Agriculture and Forestry, when the veto message is received by his committee, to ask the members of the committee to go over the message word by word. I am asking that they obtain the viewpoints of those directly affected, especially the farmers, who must live with the situation which has been created. The hearings, I trust, will be thorough and will be deliberate; and I trust that action will follow.

There should be a similar "day in court" for the President's views on the omnibus rivers-and-harbors bill. Again, I feel that some of the President's views were based upon a misunderstanding of some of the facts.

One of the most important of those facts is that we accord different treatment to different people in the same field. Since the end of World War II, we have authorized loans of \$17,782,000,000 to foreign countries. We have actually loaned to those countries \$15,048,000,000. Just a few weeks ago the Congress, upon the recommendation of the President, voted to provide an additional \$2 billion in lending authority for foreign nations, through the Export-Import Bank. We approved that measure without even a crippling amendment being offered in regard to such things as the interest rate. We passed that measure in the spirit of trying to expand, rather than contract, national economies.

The Senate and the Senate's Committee on Foreign Relations presently have before them the President's recommendation on the so-called mutual-aid bill or foreign-aid bill. The President has requested \$3,942,000,000 for the coming year, as contrasted with \$2,768,000,000 last year—an increase of approximately \$1,200,000,000 in foreign aid, in grants and loans to foreign countries, for the next year.

Mr. President, there must be a foreign-aid bill which provides grants and loans; let us make no mistake about that. The bill must be adequate to the legitimate objectives of American foreign policy; let us make no mistake about that. In the name of humanity and commonsense, we cannot turn our backs on a world of which we are a part.

But let us not set one standard for Americans and for the loans which are made to our own people, and another standard and another criterion for the loans which America is to make to the people of other countries of the world.

The projects covered by these foreign aid bills—and the projects range from Afghanistan to Western Europe—are not to be built according to specified benefit-cost ratios. They will not be compelled to meet standards which the Congress has required for American projects.

Mr. President, these are factors which I hope the committees and the Senate will take into account before they act.

Because of my deep respect for the office of the Presidency, I am desirous he should have his day in court. I am asking the chairman to call together the Public Works Committee and go over the message word by word. I hope the committee will call witnesses, especially our new Budget Director, if he can find time to return to Washington from speaking tours.

I hope we will also hear from the communities which are affected by the veto message.

Mr. President, I will conclude by saying I cannot help but feel that a status quo philosophy, a policy of letting things ride, of sitting things out, portends trouble for America.

I deeply regret that these measures have been vetoed. I am very much pleased that the President did not follow that action in connection with the enlightened highway program. But it seems to me that these veto messages must have careful and thorough consideration, and that the Executive should have a full opportunity to explain the justification for the action recommended.

The people in the States and in the local communities, and the 20 million who live on the farms, should also have an opportunity to express their views. They should have every chance to express their opinions to Congress. Then the Senate will be able to consider these measures judiciously and consider them in perspective.

I hope the chairmen of the two committees can proceed with hearings at a very early date and make such recommendations to the Senate as in their judgment are justified.

Mr. KNOWLAND. Mr. President, I have listened with interest to the remarks of the distinguished majority leader. Of course, if his remarks were meant to apply to the President as having a policy of sitting things out, I do not believe they are applicable.

The President of the United States is a great American. He carries heavy responsibilities, perhaps heavier responsi-

bilities than are carried by any person on the face of the earth today. He has been mindful of the problems facing our country in the field of national defense, in the grave threats which confront the future of a free world of free men, and in the economic dislocations which have taken place in the United States.

The President has proposed to the Congress a program for the acceleration of our national defense, for the protection of the United States and to meet the responsibilities we have in the world. He has approved legislation, passed by substantial bipartisan majorities, for the acceleration of our housing program. He has signed into law the bill dealing with highway construction, though, with his usual frankness and candor the President of the United States, has pointed out, and properly so, a phase of that program which he would have preferred not to see in it. He felt despite that factor he was justified in signing of the bill which will accelerate the highway program.

He has made recommendations in his budget message, and in supplemental bills which have come before the Congress, for the acceleration of certain of our public works projects which can be undertaken and be beneficial to the economy of the country and of assistance in providing employment. He has recommended to the Congress of the United States that it promptly consider the question of unemployment reserves.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield at that point?

Mr. KNOWLAND. I shall yield in a moment.

Mr. JOHNSON of Texas. I should like to make an announcement on the point the Senator has just mentioned, if he will yield to me.

Mr. KNOWLAND. I yield.

Mr. JOHNSON of Texas. Shortly before we left for our Easter recess—I believe the date was March 19—the President made a recommendation, which I presume had been underway since Congress assembled in January, in connection with unemployment compensation legislation. As all Members of Congress know, such legislation must originate in the other body. Legislation had been introduced in the other body, some 2 weeks before the President's recommendation, by the majority leader of that body, Representative McCORMACK. I am informed the committee has held hearings on that question following the Easter recess, and that they expect to act promptly.

As I stated earlier in the day to the minority leader, and I think all Senators should be on notice of the fact, I am hopeful as soon as the Senate receives proposed legislation from the House on that subject, the appropriate Senate committee, the Finance Committee, will immediately set hearings and take such action as in their judgment is warranted. The majority leader of the other body of Congress had introduced proposed legislation, and the committee was considering it, before the President's recommen-

dation was received the latter part of March. I think it is reasonable to conclude that they have acted with dispatch if they are ready to proceed to the consideration of the proposed legislation on the floor. I notify the country, and I am sure I will be joined in this by the minority leader, that we are going to ask the committee to act as expeditiously as possible.

Mr. KNOWLAND. I certainly join in the hope that the committee will hold hearings, and will give to those who want to be heard an opportunity to be heard, and will report to the Senate proposed legislation after appropriate hearings.

I wish to conclude by saying that many problems confront our country, both at home and abroad. I believe the solution of those problems will need, not only the consideration of the President of the United States, but, of course, of the coequal branch of the Government, represented by the Congress, of which this body is one part. These problems should not be met on any narrow, partisan basis. Both the President and the Congress have a responsibility to 170 million Americans.

Despite the economic dislocations which have taken place, more than 61 million Americans are gainfully employed. Some remarks were made on the floor of the Senate yesterday, by a Member on the other side of the aisle, which indicated that this great Nation had economically come to its knees. In view of the fact that more than 61 million persons are gainfully employed, that the United States still has the greatest productive capacity of any nation on the face of the earth, and considering the developments which are now taking place, the legislation which has been passed and approved, with the cooperation of the executive branch, and the Congress, it is clear that the economy of America has not come to its knees. This is no time to sell America short.

Mr. THYE. Mr. President, will the Senator yield?

Mr. KNOWLAND. Yes, I yield.

Mr. THYE. Mr. President, I want fully to concur in the remarks made by the distinguished minority leader.

I was in my State all Easter week. I visited in the western and southern parts of the State, as well as in the Twin Cities areas. There is optimism.

In some areas of my State the agricultural income has greatly improved. That is true in areas where farmers are feeding cattle and hogs. There the farmers and community centers have a feeling of confidence and security.

In the areas where agriculture is predominantly dairying and poultry, the people were not quite so optimistic as were the people in areas where the cattle were being fed. In the main, however, though we know we have a little recession—there can be no question about that—it is not a depression. We can bring ourselves out of the trouble in a matter of months, if we set our minds and our intentions to improving the Nation's economy. Those who are unemployed should be put back to work.

I simply want to express my concurrence in the remarks of the distinguished minority leader about the state of our economy.

Mr. KNOWLAND. I wish to thank the distinguished Senator from Minnesota.

Mr. MANSFIELD. Mr. President, I have listened to the statements of the distinguished minority leader, the distinguished majority leader, and the distinguished senior Senator from Minnesota.

All I have to say is that when we have approximately 5.3 million people out of work, with very little prospect for relief in sight, we are in a pretty serious situation. As I recall, the distinguished minority leader voted for every antirecession measure which has passed the Senate, with the exception of the farm program, and that includes the omnibus rivers and harbors bill which was vetoed by the President of the United States.

I do not think we can set up straw men and knock them down. I think we ought to face up to the facts of life and get away from the issuance of statements. We should continue the policy which the Senate has entered into since the beginning of the present session, which is an attempt to get something done in a constructive, bipartisan manner, which will be of benefit to the people as a whole.

I express the hope that when the farm veto message and the rivers and harbors veto message are referred to the appropriate committees, those committees will submit reports recommending that the Senate override the Presidential vetoes, because, as one Senator, I am ready, able, and willing at any time to vote to override a veto of the President of the United States on farm freeze legislation and on the omnibus rivers and harbors bill as well. Those were constructive pieces of legislation.

Mr. THYE. Mr. President, will the Senator yield to me?

Mr. MANSFIELD. I yield to the Senator from Minnesota.

Mr. THYE. Mr. President, as the third-ranking Republican of the Senate Committee on Agriculture and Forestry, I assure my distinguished friend from Montana that if the Presidential veto message on the agricultural joint resolution is placed before the Senate Committee on Agriculture and Forestry—

Mr. MANSFIELD. It will be.

Mr. THYE. Then I shall be one who will support a recommendation to refer the bill back to the Senate with a recommendation that an effort be made to override the veto. I feel strongly that is a step which would be desirable in order to bolster the farmers' buying power. The farmer is one of the largest buyers of industrial output. Today tractors are the means of power on the farms of our land, and tractors are part of the industrial output. The farmers do not use horses, mules, or oxen to till the land any more; they use tractors. The farmers use power fuel from the petroleum wells. They use combines. They use much heavy machinery to till the land.

The farmer today is using the industrial output of the plants of America. I know of no immediate step which would improve the economy of our industrial centers more than a strong purchasing power on the part of the average farming community.

Mr. MANSFIELD. The Senator is absolutely correct.

Mr. THYE. As to the rivers and harbors bill, I shall again inform my distinguished friend from Montana that I shall endeavor to have that measure brought before the Senate. I think the veto message should be overridden. The proposed rivers and harbors legislation has an effect in my State, since some of the most important flood-control projects for which it provides are in my State. Those projects have been approved by the Army engineers. Their economic worthiness is beyond question, and so is their value in eliminating hazards caused by floods, which have occurred so often.

As one Senator who has just finished praising the minority leader, because I think it is necessary we speak encouragingly and not act as if we had lost all hope for the future, insofar as the economic affairs of this great Nation are concerned, I make these statements. I have not lost faith. I have seen recessions before. I have seen them under the Truman administration, as well as under this administration. None of us ran for cover then. I shall not run for cover now.

I say that on the question of overriding the vetoes, I may depart from some of my friends on this side of the aisle, because I feel strongly about both of those legislative measures which have been vetoed.

Mr. MANSFIELD. Mr. President, I compliment and commend the distinguished senior Senator from Minnesota for speaking his mind so forthrightly as he has. I think he is on the right track. I recall that the Senator from Minnesota voted for both the measures we are discussing.

Mr. THYE. The Senator is correct.

Mr. MANSFIELD. Those measures were in the interest of the people as a whole.

Mr. THYE. The Senator is correct.

Mr. MANSFIELD. I recall to the Senator and to the Senate a fact which is well known: Recessions and depressions in this country are usually farm bred and farm led. Unless we do something to stop the 21-percent decline in prices which the farmers are receiving, to which the majority leader referred this morning, I am afraid we shall have a long way to go before we work ourselves out of this recession.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. KNOWLAND. To my distinguished friends on the other side of the aisle and on this side of the aisle, who serve on both the very able committees to which the veto messages have already been referred, I should like to say that I hope they will withhold judgment until they have heard all the testimony pro and con. I hope they will not act in the manner told in a story of

the early West. Someone asked, "What are we going to do with this fellow?" The answer, "Well, we are going to give him a fair trial before we hang him."

I hope that Senators will at least listen to the arguments and will examine the record as to agricultural prices and note some of the very definite improvements which have taken place since the abandonment of the old fixed high support prices. Certainly there are elements in our agricultural economy which are not all of a pessimistic nature.

I hope that at least Senators will get a balanced diet, not a one-sided one.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield to me?

Mr. MANSFIELD. I yield.

Mr. JOHNSON of Texas. First, I want to concur wholeheartedly in what the able minority leader said about the nonpartisan action taken in the anti-recession field.

Second, I want to point out clearly that the majority leader has not reached any conclusion as to whether the committees must take action one way or the other. I have not even made a decision as to when a motion would be made, if it were to be made, to override the veto, after receiving the recommendations of the committee.

In fairness, I wonder if the minority leader has an open mind and if he still has under consideration the possibility that he might vote to override either veto.

Mr. KNOWLAND. I will say to the Senator that I would certainly always keep an open mind on any additional facts which might be presented.

Mr. JOHNSON of Texas. I think that will be encouraging to the farmers of the country and to the people who are concerned with these very important projects, because there is no member of this body who can have more influence on the outcome with regard to the veto messages than the able minority leader. I know when the people of America learn he has an open mind on these two subjects it will be heartening to them.

Mr. MANSFIELD. Mr. President, I note that the distinguished chairman of the Committee on Agriculture and Forestry [Mr. ELLENDER] is present in the Chamber. I should like to say to him what I have said before, which is this: Now that the President's veto message on the farm freeze resolution has been referred to the Committee on Agriculture and Forestry, it is my hope that a recommendation will come from the committee to the Senate that the Senate override the veto of the President of the United States.

Mr. ELLENDER. Mr. President, let me say to my good friend from Montana that it will be my purpose to call before the committee certain members of the Department of Agriculture to testify. I want some of the farm organizations to be represented before us.

During the recent Easter recess, I spent quite a few days traveling through Louisiana, talking to farmers, businessmen and others. I found that among rank-and-file members of the American Farm Bureau Federation, or,

rather, the Louisiana Farm Bureau Federation, which is associated with the American Farm Bureau Federation, there is much dissatisfaction with the national organization's view on the stop-gap farm bill. The Louisiana farmers with whom I spoke were 100 percent in favor of the bill. They could not understand why the national organization should oppose it, and after talking with these farmers, I wondered the same thing. Certainly, sentiment in my State is overwhelmingly in favor of overriding the President's veto.

I am of the opinion that the same situation prevails in many other States. In addition, I shall do my utmost to present a full and clear picture of the need for the bill, the desirability of the bill, when the appropriate time comes. I am going to give Senators only the facts. I am certain that once the facts are available, once we can wipe away the confusion and sloganeering which is the only real basis for the President's veto, then sufficient votes will be cast in favor of the bill to permit it to become law over the President's veto.

I do not know of any measure enacted in recent months which has been so misrepresented to the public as the joint resolution enacted by the Congress.

It has been called a freeze. As a matter of fact, it is not. It is merely an effort to hold the line, so as to avoid further beating down the prices which the farmers are now receiving. Unless the joint resolution is enacted, the result will be far less income to cotton farmers, rice farmers, and other farmers, as well.

It is my belief that the Secretary of Agriculture has made up his mind to further reduce acreage with respect to many of the commodities now eligible for price support. The result of such action would be less and less income to the farmer.

As I have pointed out on many occasions, today the farmers of the Nation are receiving, percentagewise, the lowest share of the national income in history. I believe that this is no time for us to adopt a farm program which would further depress farm income, as would the program submitted to the Congress earlier this year by the President.

I regard the stop-gap legislation which the President vetoed as a minimum. Of course, even this measure is not an end in itself. On the contrary, it would only provide a short-term floor beneath farm prices and acreage—a step which is urgently necessary. I am convinced that the Congress is not going to roll over and play dead at the administration's urging and provide the specific program the President has demanded. However, until we can reach agreement on a long-range farm bill, I believe our farmers need assurance that their prices are not going to be further cut, and their acreage further reduced. All the stop-gap farm bill vetoed by the President did was to give them that assurance.

Mr. MANSFIELD. Mr. President, it is also my hope that the Committee on Agriculture and Forestry will look into the reasons why, during the past 6 years, 600,000 families operating small-sized

farms have left the soil; and why, at the present time, 1,400,000 farm families are earning less than \$1,000 a year.

I, too, visited my home State during the Easter recess. The feeling in my State is one of deep uncertainty. There is at least a recession. The railroads are in bad shape. The mines are in bad shape. The woods operations are in bad shape. All the statements issued from Washington and Madison Avenue will not cure the ills which affect the country economically at the present time.

Congress has tried to take definitive action on a nonpartisan basis. With respect to most of the remedial measures, there have been as many votes for them on the other side of the aisle as there have been on this side.

There is no question of anyone's patriotism, but there is a question of how to go about meeting the recession, stopping it, or alleviating it in some way, so as to prevent a depression.

I know what conditions were like in the 1930's. I know what happened in my section of the country. I know what Stalin said at the close of the Second World War, and what Khrushchev has said since. They both confidently expected a depression in the capitalistic United States. They calculated that when such a depression arrived they would be able to make headway.

We must always remember that under no circumstances can this country afford a depression.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. DIRKSEN. Inasmuch as there is so much finality about the discussion, I see no reason why we should not consider the veto message today. I am prepared to do so.

Mr. MANSFIELD. So am I.

Mr. DIRKSEN. I am prepared to vote to sustain the President of the United States.

It has been said that a politician thinks of the next election, and a statesman thinks of the next generation. I think the President of the United States qualifies as a statesman. Not only is he thinking of present conditions, but he is looking down the road a little in the interest of the well-being of his country.

Mr. MANSFIELD. Mr. President, I was interested and impressed by what the distinguished Senator from Illinois [Mr. DIRKSEN], the minority whip, had to say. I express the hope that he will get together with his leader, so that we may bring up the omnibus rivers and harbors bill and the farm freeze bill, place them before the Senate, and seek a vote on the question of overriding the President's veto. I hope the minority whip will discuss this subject with the minority leader.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. KNOWLAND. I indicated to the distinguished majority leader that, of course, as we should all do, I would hold my mind open for additional testimony. However, I do not wish to have any misunderstanding on that point. Based

upon the facts at present available, I should expect to vote to sustain the veto of the President, both with respect to the agricultural measure and the rivers and harbors bill. Nevertheless, I shall await the hearings before the committees, as I think we all will.

Mr. MANSFIELD. The distinguished minority leader would be consistent in voting to uphold the President's veto of the farm-freeze measure. However, I am sure that he studied the omnibus rivers and harbors bill before voting in favor of it. Therefore, it seems to me that he would be inconsistent in voting to sustain the President's veto of that measure. I would naturally assume that, on the basis of his own judgment and his own responsibility to the people of California and of the Nation, he would vote to override the President's veto of that particular measure. However, we shall reach that question at the proper time.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. PROXMIRE. This is a day of hope and gratitude for the people of Wisconsin. I am sure that if they could be present today they would say to the majority leader, "God bless you."

The fact that the President's veto of the farm price support measure is coming before the Committee on Agriculture and Forestry; the fact that the chairman of the Committee on Agriculture and Forestry has stated that hearings will be held; and the fact that a distinguished member of the committee on the Republican side has stated that he would be inclined to favor overriding the veto constitute very good news for the people of Wisconsin.

I make that statement to the distinguished Senator from Montana because of the fact that I have just visited my State. Not only the farmers, but the working people, the business people, the professional people, and all the other people of Wisconsin with whom I have talked recognize the tremendous importance to our State of overriding this veto if the farm economy of Wisconsin is to be saved.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

REPORT ON COOPERATION WITH MEXICO ON CONTROL AND ERADICATION OF FOOT-AND-MOUTH DISEASE

A letter from the Assistant Secretary of Agriculture, reporting, pursuant to law, that there have been no significant developments to report for the month of March relating to the cooperative program of the United States with Mexico for the control and the eradication of foot-and-mouth disease; to the Committee on Agriculture and Forestry.

STATISTICAL SUPPLEMENT TO STOCKPILE REPORT

A letter from the Director, Office of Defense Mobilization, Executive Office of the President, transmitting, pursuant to law, a secret statistical supplement to the stockpile report, covering the period from July to December 1957 (with an accompanying report); to the Committee on Armed Services.

REPORT ON NUMBER OF OFFICERS ASSIGNED TO PERMANENT DUTY AT THE SEAT OF GOVERNMENT

A letter from the Director, Legislative Liaison, Department of the Air Force, Washington, D. C., reporting, pursuant to law, that, as of March 31, 1958, there was an aggregate of 2,601 officers assigned or detailed to permanent duty in the executive element of the Air Force at the seat of government; to the Committee on Armed Services.

REPORT PRIOR TO RESTORATION OF BALANCES, DEPARTMENT OF AGRICULTURE

A letter from the Acting Secretary of Agriculture transmitting, pursuant to law, a report prior to restoration of balances, to the appropriation "Salaries and Expenses, Farmer Cooperative Service, 1957," as of March 31, 1958 (with an accompanying report); to the Committee on Government Operations.

STUDY ENTITLED "FINANCIAL AND ECONOMIC ANALYSIS, COLORADO RIVER STORAGE PROJECT"

A letter from the Secretary of the Interior, transmitting, pursuant to law, a study entitled "Financial and Economic Analysis, Colorado River Storage Project and Participating Projects, February 1958" (with an accompanying document); to the Committee on Interior and Insular Affairs.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the PRESIDENT pro tempore:
Resolutions of the General Court of the Commonwealth of Massachusetts; to the Committee on Interstate and Foreign Commerce:

"Resolutions memorializing the Congress of the United States to change the distribution formula for Federal aid for fisheries and game so as not to discriminate against large populations and limited land areas

"Whereas His Excellency, the Governor, in his annual message to the general court on January 1, 1958, stated: 'The present Federal formula for the distribution of Federal aid for fisheries and game discriminates against States with large populations and limited land areas. Massachusetts is one State so affected. This discrimination should be corrected'; and

"Whereas the operation of the present formula is unfair to the 300,000 citizens in Massachusetts holding fish and game licenses: Therefore be it

"Resolved, That the General Court of Massachusetts respectfully urges the Congress of the United States to enact legislation amending Federal aid in the Wildlife Restoration Act, Public Law 415 of the 75th Congress, and Federal aid in the Fish Restoration and Management Projects Act, Public Law 681 of the 81st Congress, by revising the distribution formula to 60 percent on the basis of population and 40 percent on the basis of area; and be it further

"Resolved, That copies of these resolutions be sent forthwith by the secretary of the Commonwealth to the presiding officer of each branch of Congress and to the Members thereof from this Commonwealth.

"House of representatives, adopted March 31, 1958.

"LAWRENCE R. GROVE,

"Clerk.

"Senate, adopted in concurrence April 2, 1958.

"IRVING N. HAYDEN,

"Clerk.

"Attest:

"EDWARD J. CRONIN,

"Secretary of the Commonwealth."

Resolutions of the General Court of the Commonwealth of Massachusetts; to the Committee on Labor and Public Welfare:

"Resolutions memorializing the Congress of the United States to extend and amend the Hill-Burton Act providing Federal aid for hospital construction

"Whereas His Excellency the Governor, in his annual message to the general court on January 1, 1958, stated, 'The Federal law providing for Federal assistance for hospital construction expires in 1958. I urge that you recommend that the operation of this law be extended'; and

"Whereas the basic distribution formula of the Hill-Burton Act, Public Law 725, should be reexamined in order to provide more fully for the hospital needs in States with a number of large cities and metropolitan areas; Therefore be it

"Resolved, That the General Court of Massachusetts respectfully urges the Congress of the United States to extend the provisions of Public Law 725, 79th Congress, and to amend its provisions so as to provide more fully for the hospital needs in States with a number of large cities and metropolitan areas; and be it further

"Resolved, That copies of these resolutions be sent forthwith by the State secretary to the presiding officer of each branch of Congress and to the Members thereof from this Commonwealth.

"House of representatives, adopted March 31, 1958.

"LAWRENCE R. GROVE,

"Clerk.

"Senate, adopted in concurrence, April 2, 1958.

"IRVING N. HAYDEN,

"Clerk.

"Attest:

"EDWARD J. CRONIN,

"Secretary of the Commonwealth."

A resolution adopted by the Ventura County Taxpayers' Association, Ventura, Calif., favoring the enactment of legislation to repeal excise taxes; to the Committee on Finance.

The petition of Eva Warschicka, of Heron Lake, Minn., praying for the enactment of legislation to abolish daylight saving time; to the Committee on Interstate and Foreign Commerce.

The petition of Eva Warschicka, of Heron Lake, Minn., relating to persons of old age, and so forth; to the Committee on Labor and Public Welfare.

MAILING OF OBSCENE LITERATURE—LETTER AND STATEMENT

Mr. HOBLITZELL. Mr. President, I ask unanimous consent that a letter which I have received from the Right Reverend Wilburn C. Campbell, D. D., bishop of the Episcopal diocese of West Virginia, concerning the mailing of pornographic, lascivious, and lewd literature, be printed in the RECORD and appropriately referred.

There being no objection, the letter was referred to the Committee on the Judiciary, and ordered to be printed in the RECORD, as follows:

THE DIOCESE OF WEST VIRGINIA,
Charleston, W. Va., April 15, 1958.

Hon. JOHN D. HOBLITZELL,
Senate Office Building,
Washington, D. C.

MY DEAR SENATOR HOBLITZELL: I am writing to you as my Senator from West Virginia but more particularly because you are a member of the Postal Committee of the Senate.

The ever-increasing volume of pornographic, lascivious, and lewd literature that

floods the mail is not only a national disgrace but also is a definite moral menace to suggestible teen-agers and those adults whose emotional stability is easily threatened and whose sexual perversion is capable of being triggered.

The above paragraph abounds in sweeping generalities and grave charges. Although I do have a teen-age son, I do not write as a hysterical parent. As a clergyman and educator I have had wide experience in the field of counseling and am quite aware of the definite danger this type of literature presents to people. I am also a member of the West Virginia Crime and Delinquency Council of the National Probation and Parole Association. In this work I again have had firsthand knowledge of the harm that is being caused by the mail distribution of obscene and wanton literature.

May I earnestly request you to do all in your power to seek the passage of appropriate legislation which can effectively keep such literature out of our postal system and possibly curb and punish those who seek to pervert innocent victims.

Faithfully,

WILBURN C. CAMPBELL,
Bishop.

Mr. HOBLITZELL. Mr. President, I also present a copy of my statement to the Senate Judiciary Committee on this matter, which I ask unanimous consent to have printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY SENATOR HOBLITZELL

As a member of the Post Office and Civil Service Committee I feel that it is one of my responsibilities to call to the attention of this committee the letter of Bishop Campbell, Episcopal diocese of West Virginia, who is regarded as one of the most outstanding church leaders in the sovereign State of West Virginia.

When the filth described by the bishop can be routed through the United States mail, then we have come to the point where it is mandatory that this body act in the name of common decency to protect our citizens from these merchants of depravity.

Several days ago one of my office assistants showed me a piece of literature that had been mailed to his home in West Virginia.

The envelope containing this shocking literature, which is too base for me to describe before this august body, was opened by my aide's wife. It could just as easily have been opened by one of his young children.

I am a mature man and feel that I have come into contact with many of the unpleasanties that go with life. But I can honestly say that I was soundly shocked at the thought that such lewd literature can be passed through the United States mail.

Mothers of the Nation are entitled to know that the Congress of the United States will take firm action to see that their children are not subjected to such trash, which could easily lend to corruption of youthful morals.

I want to thank Bishop Campbell for rendering his most sincere letter in this matter, and I hope it will serve to shock Members of this body into adopting legislation to protect the children of this Nation.

Further, I want to announce my wholehearted endorsement of Senate bill 3555, sponsored by Mr. THYE, which is now before the Committee on the Judiciary.

It is my sincere hope that this legislation will be brought before the Members of this body so they can take positive action during this session of the Congress.

I am secure in the knowledge that my esteemed colleagues will desire to go on

record as being ready to stop this flow of pollution from going into the homes of America through the United States mail.

BILLS INTRODUCED

Bills were introduced, read the first time and, by unanimous consent, the second time, and referred as follows:

By Mr. McNAMARA:

S. 3630. A bill to encourage the operation of marginal copper mines necessary to the national defense; to the Committee on Armed Services.

(See the remarks of Mr. McNAMARA when he introduced the above bill, which appear under a separate heading.)

By Mr. PURTELL:

S. 3631. A bill to authorize the construction of certain works for flood control on the Hall Meadow Brook, and East Branch of the Naugatuck River, and Mad River Dam in the State of Connecticut; to the Committee on Public Works.

(See the remarks of Mr. PURTELL when he introduced the above bill, which appear under a separate heading.)

By Mr. ANDERSON:

S. 3632. A bill to amend Public Law 85-162 to increase the authorization for appropriations to the Atomic Energy Commission in accordance with section 261 of the Atomic Energy Act of 1954, as amended, and for other purposes; to the Joint Committee on Atomic Energy.

By Mr. CHAVEZ:

S. 3633. A bill for the relief of Hong Ah Tak; to the Committee on the Judiciary.

RESOLUTIONS

FUNERAL EXPENSES OF THE LATE SENATOR W. KERR SCOTT, OF NORTH CAROLINA

Mr. ERVIN. Mr. President, I submit a resolution and ask unanimous consent for its immediate consideration.

The PRESIDENT pro tempore. The resolution will be read for the information of the Senate.

The resolution (S. Res. 291) was read, as follows:

Resolved, That the Secretary of the Senate is hereby authorized and directed to pay from the contingent fund of the Senate the actual and necessary expenses incurred by the committee appointed to arrange for and attend the funeral of the Honorable W. KERR SCOTT, late a Senator from the State of North Carolina, on vouchers to be approved by the chairman of the Committee on Rules and Administration.

The PRESIDENT pro tempore. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered and agreed to.

PRINTING AS A SENATE DOCUMENT A STUDY ENTITLED "SCIENCE AND TECHNOLOGY ACT OF 1958"

Mr. McCLELLAN submitted a resolution (S. Res. 292), which was referred to the Committee on Rules and Administration, as follows:

Resolved, That the staff study entitled "Science and Technology Act of 1958" (S. 3126), prepared for the Committee on Government Operations, be printed as a Senate document, and that 5,000 additional copies be printed for the use of that committee.

ENCOURAGEMENT OF OPERATION OF MARGINAL COPPER MINES

Mr. McNAMARA. Mr. President, I introduce, for appropriate reference, a bill to encourage the operation of marginal copper mines necessary to the national defense.

I felt this measure is very important if we are to maintain an America that is to be as self-sufficient as possible in the face of any crisis.

For many years, the domestic mining industry has been unable to supply all our copper needs.

According to figures compiled by the Bureau of Mines, domestic production of copper in 1957 was 1,077,000 short tons, while our actual consumption was 1,239,000 short tons.

An estimated 594,000 short tons which we needed to satisfy domestic consumption was obtained through imports.

I ask unanimous consent to have printed in the RECORD at this point a table showing our production and consumption of copper since 1940.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

Copper
[Thousands of short tons]

Year	Mine production	Apparent consumption	Total imports
1940.....	878	1,009	491
1941.....	958	1,642	736
1942.....	1,080	1,608	764
1943.....	1,091	1,502	717
1944.....	973	1,504	785
1945.....	773	1,415	853
1946.....	609	1,391	396
1947.....	848	1,286	414
1948.....	835	1,214	507
1949.....	753	1,072	553
1950.....	909	1,447	690
1951.....	928	1,304	489
1952.....	925	1,360	619
1953.....	926	1,435	676
1954.....	835	1,235	595
1955.....	999	1,335	594
1956.....	1,106	1,367	596
1957 ¹	1,077	1,239	594

¹ Preliminary.

Source: U. S. Bureau of Mines.

Mr. McNAMARA. Mr. President, on the average, we are required to import approximately 40 percent of the copper we need. Imports have gone as high as 61 percent in wartime.

But while we were able to obtain enough copper through imports to satisfy our expanding needs during World War II, there is no assurance that such supplies will be available in some new emergency.

I believe it is for our own protection that we must guarantee a steady source of copper.

My bill would direct the Office of Defense Mobilization to purchase copper ore from the operators of marginal copper mines, at a reasonable profit to them, on the conditions that, first, the operation of the mine is necessary to the national defense; and, second, the mine is unable to operate at then current market prices and return a reasonable profit to the owners.

The effect of this proposed legislation would be to keep many marginal copper mines in operation to assure adequate domestic supplies of copper in times of national emergency.

Furthermore, it would have the very important effect of providing a livelihood to thousands of copper miners who are deprived of work when the mine owners close down a marginal mine.

Their wages, in turn, will provide the economic lifeblood required for survival by many communities in the copper-mining areas.

The PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3630) to encourage the operation of marginal copper mines necessary to the national defense, introduced by Mr. McNAMARA, was received, read twice by its title, and referred to the Committee on Armed Services.

CONSTRUCTION OF CERTAIN WORKS FOR FLOOD CONTROL IN CONNECTICUT

Mr. PURTELL. Mr. President, I introduce for appropriate reference a bill to authorize the construction of certain works for flood control on the Hall Meadow Brook, East Branch of the Naugatuck River, and Mad River Dam, in the State of Connecticut.

Mr. President, all of these projects have been recommended by the Chief of Engineers and were included in the rivers harbors bill vetoed by the President. They are not subject to the objections the President stated in his veto message on S. 497 regarding some of the projects included in that measure. Mine is a companion bill to one being introduced in the House of Representatives by Representative JAMES PATTERSON.

The flood control projects provided for in my bill are urgently needed to protect the cities of Torrington and Winsted and surrounding areas from a repetition of the misery, devastation, and human suffering visited upon them by the floods of 1955. As I have said, these projects have the approval of the Bureau of the Budget and the Army Engineers and meet all the requirements established as criteria for eligibility. I urge that the appropriate committee take speedy action on this bill during the present session of Congress.

The PRESIDENT pro tempore. The bill will be received and appropriately referred.

The bill (S. 3631) to authorize the construction of certain works for flood control on the Hall Meadow Brook, East Branch of the Naugatuck River, and Mad River Dam, in the State of Connecticut, introduced by Mr. PURTELL, was received, read twice by its title, and referred to the Committee on Public Works.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield at that point?

Mr. PURTELL. I yield.

Mr. JOHNSON of Texas. Do I understand that the Senator is introducing a bill covering individual projects?

Mr. PURTELL. The Senator is correct.

Mr. JOHNSON of Texas. Were these projects included in the omnibus rivers and harbors bill which the President vetoed?

Mr. PURTELL. They were included in the part of the bill which was approved by the Army Engineers, not in the portion to which the President, I think justifiably, objected.

AMENDMENT OF MUTUAL SECURITY ACT OF 1954—AMENDMENT

Mr. MANSFIELD. Mr. President, last year the administration, in its proposed mutual-security program bill, asked for continuing authorizations for appropriations for both military assistance and defense support. It was intended by the administration that thenceforth military assistance and defense support would be appropriated as separate items within the Department of Defense budget. The President of the United States, in his message to Congress on his mutual security bill, explained and justified this proposal as follows:

I recommend also that appropriations for both military assistance and defense support be pursuant to a continuing authorization enacted by the Congress. This would fittingly recognize that our own security requires continuance of these parts of our own military effort as long as Communist imperialism remains a menace to free peoples. This would also enable the Congress to consider simultaneously appropriations both for our own Armed Forces and for assistance to friendly forces. In this way, these two inter-related elements of our military budget can be better integrated and balanced, and the effectiveness of both increased.

Although the Senate adopted a modified version of this proposal, the bill which finally was enacted did not change the handling of military assistance and defense support in the way the President requested. This year the administration bill reverts to the old procedure of annual authorizations and appropriations for these two items.

On March 19, I asked the Secretary of Defense, Mr. McElroy, why the administration had not adhered to its proposal of last year. Secretary of Defense McElroy stated that the executive branch still favors the idea, but feels that since its request was not adopted last year there is no point in pushing the proposal again.

Mr. President, it seems to me that if military assistance is designed primarily to contribute to a strengthening of the defenses of the United States as our military men insist, then the military assistance part of the mutual-security program should be a part of the military budget of the United States. "Military assistance," in the words of the executive branch of the Government, "consists of military equipment, training in its proper use, and supplies and services, furnished directly to selected foreign military forces which are important to the fulfillment of United States national security objectives."

One of the objectives of military assistance is to promote the foreign policy of the United States. The program is undertaken in order to reduce the military demands on our own forces. Indeed, it has been stated on numerous occasions by witnesses before the Committee on Foreign Relations that if funds are not provided for military assistance

it would be essential to increase the size of our own military budget.

It seems to me that the proposal last year of the executive branch that the military-assistance and defense-support programs be included as a part of the Defense Department budget has the merit of compelling those charged with the military defense of the Nation to measure every domestic defense dollar against every mutual-security program dollar to be sure that every taxpayer's dollar used to promote the defense of the Nation is spent in the best way possible.

In order to give effect to this line of reasoning, Mr. President, I submit an amendment which the able Senator from Minnesota [Mr. HUMPHREY] and I intend to propose to S. 3318, the current mutual-security bill. This amendment would do in this year's mutual-security program what the administration unsuccessfully sought last year. It seems to me that the reasons advanced last year for this change are equally persuasive now.

The PRESIDENT pro tempore. The amendment will be received, printed, and referred to the Committee on Foreign Relations.

AMENDMENT OF CIVIL SERVICE RETIREMENT ACT, RELATING TO PAYMENTS FROM VOLUNTARY CONTRIBUTIONS ACCOUNTS

Mr. JOHNSTON of South Carolina submitted amendments, intended to be proposed by him, to the bill (H. R. 4640) to amend the Civil Service Retirement Act with respect to payments from voluntary contributions accounts, which were ordered to lie on the table, and to be printed.

COMMISSION ON COUNTRY LIFE—ADDITIONAL COSPONSOR OF BILL

Mr. FLANDERS. Mr. President, I ask unanimous consent that the name of my colleague, the senior Senator from Vermont [Mr. AIKEN] may be added as an additional cosponsor of the bill (S. 3596) to establish a Commission on Country Life, and for other purposes, introduced by me, for myself and other Senators, on April 2, 1958.

The PRESIDENT pro tempore. Without objection, it is so ordered.

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. MURRAY:

Statement prepared by him regarding the Mission 66 program.

Address entitled "The Need for Revision of Federal Policy in Indian Affairs," delivered by Hon. LEE METCALF.

By Mr. KENNEDY:

Editorials commenting on assistance for India, and two articles commenting on the importance of ties with the Republics of Latin America.

ANTIBUSINESS BIAS OF THE STAFF OF THE SUBCOMMITTEE ON ANTITRUST AND MONOPOLY

Mr. BUTLER. Mr. President, for some time I have been concerned with the antibusiness bias of the staff of the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary.

It was my privilege to address a group of business and professional men at the Merchants Club of Baltimore on Wednesday, December 11, 1957. I inserted my remarks to this group in the CONGRESSIONAL RECORD of January 9, 1958. On this occasion I said:

For many months I have endeavored to understand the apparent antibusiness bias of this subcommittee. I believe I have found the answer. Its chief economist is Dr. John M. Blair. In 1938 he was the author of a book entitled "Seeds of Destruction." The theme suggested by this title was that capitalism contained within itself the seeds for its own ultimate destruction. Dr. Blair outlined four axioms which you and I regard as essential to the survival of capitalism.

He devoted 358 pages to showing that capitalism had not and could not meet them. He suggested three possible corrective techniques. They were: First, to raise our labor costs; second, to lower our prices; and third, to redistribute the national income. Mr. Reuther is now recommending precisely these same corrective techniques. On the last page of this book Dr. Blair said:

"We have gone at length into the axioms which capitalism has violated, into the aggravating trends which seemingly have made it inevitable for capitalism to violate the axioms, and into the corrective techniques which offer slight hope that capitalism can be made to function in accordance with the axioms."

Dr. Blair concludes with this fantasy: "The result as a whole cannot be interpreted as anything but a none-too-happy picture of capitalism."

In making this address, I was aware of the fact that Dr. Blair defended his book *Seeds of Destruction* as recently as May 1957. Mr. Donald I. Rogers, the distinguished financial editor of the New York Herald Tribune, devoted his columns of May 12 and May 15, 1957, to a discussion of Dr. Blair's economic views. Mr. Rogers' column of May 22 gave Dr. Blair an opportunity to reply to his previous criticisms. So that the record may be entirely clear, I ask unanimous consent to have Mr. Rogers' columns of May 12 and May 15, 1957, printed in the RECORD at this point.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the New York Herald Tribune of May 12, 1957]

WALL STREET, U. S. A.

(By Donald I. Rogers)

INTRODUCING JOHN M. BLAIR

A couple thousand years before the advent of Christ a Greek philosophical observer—Solon, I think it was—opined that democracy embodied the seeds of its own destruction. He meant that, given the free franchise, voters would vote their freedoms away (witness Germany, Italy, France, and England.)

Nearly a couple thousand years after Christ, another observer, Karl Marx, held that capitalism carried within itself the seeds of its own destruction.

In 1938 a writer by the name of John M. Blair rediscovered both these philosophies and wrote a book called *Seeds of Destruction*, purported to be a study in the functional weaknesses of capitalism. It was published by Covici-Friede at \$4. It received complimentary reviews in *The New Republic* and by Harold J. Laski in *The Nation*.

This is the same John M. Blair who is chief economist under Senator ESTES KEFAUVER, Democrat, of Tennessee, the much headlined leader of the Senate's Antitrust and Monopoly Subcommittee.

Senator KEFAUVER, with an eye on the White House, entertains the idea that he can reach 1600 Pennsylvania Avenue by riding over the crushed skulls of America's big businessmen. His chairmanship of this vital committee is regarded as a perfect vehicle.

Expert on oil

He expects this fellow, John M. Blair, to be the chief skull crusher. So let's take a look at John M. Blair. He's been with Government for 20 years. He's an economist—to use the academic title of this inexact and unscientific science—and he's an expert on oil, one of the areas where Mr. KEFAUVER hopes to strike hard.

It could be understood that in the unsettled, harsh days of 1938 a student of economics might hold unsettled, harsh views, which, in the ensuing years, with maturity and a restoration of capitalistic principle, might be tempered. But as far as can be learned, Mr. Blair has never recanted. Unless he has made private utterances to the contrary, we must assume that he believes the same today as he did in 1938.

He is a dialectic writer. His views are strong because he writes from the premise that we all hold socialistic beliefs, that we all believe business is too big, that we all feel the worker has been abused in our industrialized, capitalistic society.

Some samples:

"Capitalism * * * through the use of machinery and other devices * * * has cast out of employment from industry a progressively increasing number of workers and has lowered steadily the relative wages of those employed" (p. 35).

Could a writer ever be more in error? Have the relative wages of industrial workers declined? Have an increasing number been cast out of employment?

Or, regard this:

"The significant fact * * * is that during the decade of American capitalism's greatest expansion and prosperity, 1919-1929, the rise in labor productivity was so marked that more workers were displaced from their positions than were taken into the ranks of the employed. There appears to be no indication that this devastating trend will be abated; rather, existing indices seem to indicate that it will be accelerated even beyond its present rapid rate" (p. 22).

I like this one, particularly in view of the tremendous expansion of American industry and of the huge sums of capital supplied by the "upper classes":

"Capitalism has distributed a large share of its income to members of the higher income groups, and those income recipients in the upper classes have utilized a large and increasing proportion of their income in such ways as to make ineffective as mass purchasing power, either through their purchasing of expensive luxuries from other members of the upper classes, or through their trading in outstanding or other non-productive issues of securities" (p. 155).

This is the man who has been selected by Senator KEFAUVER to help prove that American business is a monster which needs a stronger checkrein. He seems ideal for the job.

A logical question, though, is whether Senator KEFAUVER holds these same views?

If so, has he let the people of Tennessee know it?

I'll have more to say about Mr. Blair and his writings on Wednesday.

[From the New York Herald Tribune of May 15, 1957]

WALL STREET, U. S. A.

(By Donald I. Rogers)

MORE ABOUT JOHN M. BLAIR

John M. Blair, chief economist under Senator ESTES KEFAUVER, Democrat of Tennessee, chairman of the Senate's Antitrust and Monopoly Subcommittee, is the man who will do most of the research and handle most of the presentation when Senator KEFAUVER conducts his probes of the country's leading industries, including the oils, motors, public utilities, and chemicals.

Mr. Blair is reputed to be an expert on oil. He is an avowed—an announced—mis-truster of big business.

He believes that big business will reduce employment and lower wages.

He believes that big business will extract an increasing amount of work from employees, at decreasing rates of reward.

View of capitalism

He believes that capitalism will give an increasingly large share of the Nation's wealth to the higher income groups at the expense of the lower income groups, thus ultimately destroying its own market place.

This is the man, a man who has spent much of his life working for Government, who will sit at the right hand of an ambitious United States Senator in the months until the 1958 election, assisting wherever possible in a studious effort to discredit some of the most successful enterprises in some of America's most important industries.

His views are set forth with great clarity in several writings, most important of which is his book, *Seeds of Destruction*, printed in 1938 and published at \$4 by Covici-Friede. Mr. Blair has never publicly recanted the beliefs expressed in his book.

The man behind the post

Last Sunday this reporter quoted several excerpts from Mr. Blair's book to show the socialistic caliber of his thinking. Following are some additional quotes from *Seeds of Destruction*, which indicate, at least, the temper of the man who holds such an important post.

Even these excerpts show that Mr. Blair writes with bias, hostility, sarcasm and that he makes fun of the business community.

"One of the factors that enters into restriction of production is waste, waste occasionally being deliberately fostered or at least countenanced in order that output might be lessened. According to the American Federated Engineering Societies, the responsibility for this waste lies mostly upon the shoulders of management. . . ."

Called price device

"This deliberate waste brought about by management is to a considerable extent but an obvious mechanism to restrict actual or potential production, all for the purpose of keeping prices stable" (pp. 101-102).

And here's a prediction in the same book:

"For our national economy as a whole, the only scientific assumption which can be drawn . . . is that the trends brought out as operating in the past and in the present will undoubtedly continue to do so in the future, that physical volume of production will grow—providing there is a market—that horsepower will increase rapidly, that general population will grow but at a progressively slower rate while factory employment declines, that productivity of labor will soar upward at an accelerating tempo, that separations will continue their increase

over additions, that as a consequence of all this, technological unemployment will steadily increase, that the machine industries will remain physically capable of absorbing but the slightest proportion of the workers displaced by the machinery installed" (p. 34).

Key to philosophy

It behooves the reader to go over that one again. It is an awkwardly constructed paragraph, but it contains a whole theme, almost a whole economic philosophy.

It is the core of *Seeds of Destruction*, for the book purports to be a study of the weaknesses of capitalism.

Perhaps it is more a study in the weakness of Mr. Blair's logic—and perhaps the book embodies the seeds of destruction of his influence on the subcommittee.

Let no one in big business or a key industry underestimate Mr. Blair. He is no lightweight. He is sharp, and can take care of himself.

Mr. BUTLER. Mr. President, I now ask unanimous consent to have printed in the RECORD Mr. Rogers' column of May 22, 1957, which included Dr. Blair's reply to Mr. Rogers' criticisms.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the New York Herald Tribune]

WALL STREET, U. S. A.

(By Donald I. Rogers)

DR. BLAIR'S VIEWS UPDATED

Dr. John M. Blair, chief economist of the Senate's Antitrust and Monopoly Subcommittee, key figure in Washington's latest inquisition into the functions of big business in America, has been a subject of 3 columns by this reporter because of views he has expressed in the past in some of his writings, notably those contained in a 1938 book called *Seeds of Destruction*, published at \$4 by Covici-Friede.

The point I made was that this man, who will, more than anyone else, set the tempo of the hearings to be presided over by Subcommittee Chairman Senator ESTES KEFAUVER, Democrat, of Tennessee, had expressed some pronounced views against the capitalist system and particularly against successful, big business. Another point was that he had never, at least publicly, recanted or retreated from these views.

Accordingly, I invited Dr. Blair either to restate or reiterate his views. Incidentally, like Senator KEFAUVER, Dr. Blair has accused me of being unfair to him. His statement follows:

"Thank you for your invitation to reply to your columns of May 12 and May 15. Your criticisms of a book of mine written 20 years ago raise 2 important questions. The first is the accuracy of your interpretation of the book as a biased and destructive attack upon capitalism.

"May I point out that the book was not so regarded upon its publication by reviewers in reputable newspapers and periodicals. Thus the Louisville Courier-Journal stated that his book is no tirade against capitalism; it is a calm and objective diagnosis (September 18, 1938). According to the Christian Science Monitor, 'No use to send a committee after Mr. Blair with a motion picture about what industry has done for you. He knows all that, and he wants to enable industry to go on to greater victories' (September 14, 1938). A prominent trade journal, Chemical Industries, stated that the book was 'A careful, conscientious, helpful criticism of the capitalistic system, which deserves to be thoughtfully read by our business leaders' (January 1939). The Birmingham

News described the work as 'A thorough, carefully documented study of the existing economic order. Where other economists have dealt in theory, Mr. Blair proves his statements with statistics from unquestionable sources' (November 13, 1938). The Boston Herald stated that the book would be damned by both conservatives and radicals and went on to say that it '... is a rigidly objective book. It studies the weaknesses of capitalism—it grinds no axe, offers no panacea' (August 27, 1938). In the New Orleans Times-Picayune it was stated that 'John M. Blair . . . has developed here the most objective study of the capitalistic system this critic has ever seen' (September 11, 1938). The San Francisco Argonaut observed that 'Throughout the many weighty chapters, loaded with statistical tables and adorned with notes, a strictly objective attitude is maintained' (September 16, 1938). Dr. John R. Commons, who was then president of the American Economic Association, wrote that '... the book might well be designated a promising pioneer in the 20th century reconstruction of economic science on the principles of relativity' (American Economic Review, March 1940). These do not constitute an unrepresentative sample of the reviews received by the book. Indeed, the only unfavorable review was that of the Daily Worker (September 6, 1938).

"The second problem raised by your articles is the obvious impossibility of stating, within the limitations of space that you could accord me, what my views are now as contrasted to what they were 20 years ago. In the course of a 400-page book I advanced many ideas and concepts. Personally I could not want it to be said that intellectually I stopped growing at the age of 23, when the book was published. During the subsequent two decades I hope I have learned a few things. And what I have learned would cause me to modify some parts of the book, but not others.

"The space problem arises because the setting forth of what views I have changed as well as those which I have not altered, and the reasons therefor, would in themselves represent a treatise of no small proportions.

"Very briefly may I say that I am not alone among economists in having underestimated the rate of private capital formation, though I am not sure how long capital expenditures will continue at the present rate. Also, 20 years ago I did not and could not conceive of Federal expenditures in peacetime in magnitude of \$70 billion, which even after allowance for the increase in prices, would have been about 5 times the actual Federal budget in 1933.

"But there is one point on which my views are, if anything, even stronger today than they were 20 years ago. During the course of writing the book I became convinced that the successful functioning of capitalism is dependent upon the existence of competition, free and unhampered by monopoly. This is a conclusion which, I am pleased to note, a number of Western European countries that have long regarded private monopoly as not necessarily destructive of capitalism are finally coming to by enacting antitrust laws of their own patterned generally after the United States statutes. To do what I could to promote competition, I entered the Government service as an economist in the antitrust field. There may be a better way to serve the long-run interests of democratic capitalism than by helping to promote competition but what it is, I do not know.

"Of course, under a free press, criticism is, and should be the expected lot of the Government servant. Like other Government servants I welcome criticism which is fair and anticipate some which is unfair. As an example of the latter may I point out

that in referring to me you used in successive sentences the terms 'dialectic' and 'socialistic.' In view of the book's rejection of Marxism, I question whether this type of attack by insinuation and innuendo is in the best tradition of our country's press."

That is Dr. Blair's statement.

In the best tradition of our country's press, I have presented him herewith, my column's space (and then some) to present his updated views.

Mr. BUTLER. Mr. President, in view of my familiarity with Dr. Blair's background, I took a great interest in the study of administered prices conducted by the Subcommittee on Antitrust and Monopoly. I examined Senate Report No. 1387 which was recently filed by the subcommittee very carefully. In my opinion the distinguished junior Senator from Illinois [Mr. DIRKSEN], a member of the subcommittee, has made an important contribution to our understanding of this complex question in his minority views which were included in the report. He clearly demonstrated that the majority report largely reflects the views of the staff. In his individual minority views, he said:

The minority regrets that the majority has accepted the unwarranted and prejudiced assumptions of the staff in the preparation of its views. It is satisfied that they have unwittingly provided propaganda which may be used to our national detriment.¹

Some time before the subcommittee's report was available to the Senate, portions of it were released to the press. Anyone who read press accounts based on only fragmentary material from the complete Senate report without the individual views filed by the junior Senator from Illinois would draw the conclusion that the steel industry in general and the United States Steel Corp., in particular were oblivious to the economic needs of an expanding and dynamic American economy.

Mr. President, I ask unanimous consent that a press release of the United States Steel Corp., which was distributed in answer to these charges may be printed in the RECORD at this point.

There being no objection, the press release was ordered to be printed in the RECORD, as follows:

WASHINGTON, D. C., February 27, 1958.

NEW YORK, February 28.—"Senator KEFAUVER's statement attacking steel prices gives a thoroughly biased and distorted view of the testimony that was presented to his subcommittee," Roger M. Blough, chairman of the board of United States Steel Corp., said today, "but it comes as no surprise."

"Under the peculiar procedure of this investigation," he said, "the chairman of the committee 'invites' you to testify and then issues a flood of statements to the newspapers denouncing the character, motives and antecedents of your business. He begins by reading a statement pronouncing your business guilty of all kinds of unsavory practices; after which you are assured in a friendly manner that the committee will now launch a completely unbiased investigation of the facts. But when the true facts have been presented, they are ignored

or misused, and the chairman and his staff bring in a report confirming all of the preconceived notions set forth in his opening statement. This proves he was right all the time.

"In pursuit of this practice Senator KEFAUVER and the committee majority have concluded that recent steel price increases 'substantially exceeded' the rises in steel costs. Yet the only competent testimony in the record is that price rises did not even cover the cost increases. Moreover the testimony also shows that it would take only a little more than 2 years, in the absence of a price increase—and at the rate of cost increase experienced by United States Steel in recent years—to wipe out every penny of United States Steel's profit as well as all the money it pays to the Federal Government in income taxes. After that the Treasury would have to look elsewhere for taxes, stockholders would be entirely without dividends, industries supplying us with tools of production would have to find other customers, the jobs of our own employees would be gravely endangered, no one would lend money to the industry, and certainly no one would buy new stock in it—and, finally and ironically, the price of steel, after this brief interruption, would again have to march upward in step with costs just to keep on going broke.

"Senator KEFAUVER is alarmed to see that steel prices have not declined in the face of the recent drop in steel production, but he is undisturbed by the fact that production costs have not declined under these same circumstances. So he suggests that this price behavior indicates monopoly power resulting from undue concentration, instead of the ever-mounting labor costs which are the most basic of all costs and which are reflected in all other costs.

"In doing this, Senator KEFAUVER and his colleagues of the majority have again ignored the evidence in the record which shows that at least one-quarter of all the industries in America are more concentrated than is the steel industry.

"They have also glossed over the fact that United States Steel's production has declined since 1901 from nearly two-thirds of the industry total to less than one-third. They have ignored the enormous growth of its many large competitors. And contrary to the statement that concentration in the four largest companies is increasing, the record shows, by all relevant measures—capacity, production, shipments, revenues, and employment—concentration is in fact decreasing.

"Much of Senator KEFAUVER's statement is devoted to the charge of identity of price in the steel industry and its alleged antitrust implications. The Senator and the subcommittee staff are apparently still blindly dedicated to the strange theory that every producer should have a lower price—or at least a different price—than all other producers. They have never explained how the higher price producers can expect to sell any steel. Every businessman knows that competition forces sellers of standard products to meet competitive prices or go out of business.

"From Senator KEFAUVER's statement it would appear that the majority report is, as Senator DIRKSEN states, 'based on a theoretical, preconceived, biased, economic and legal analysis developed by the subcommittee staff,' and 'fails to make an impartial appraisal of the testimony.' Moreover, I believe that any impartial observer will agree with Senator DIRKSEN that the record does not support any of the 12 charges which he says are advanced in the majority report."

JOHN MUNHALL III,
United States Steel Corp.

Mr. BUTLER. Mr. President, as I have already indicated, I have examined

Senate Report No. 1387 with great care. The minority views of the junior Senator from Illinois completely support the statements which I made in Baltimore last December. So that all readers of the CONGRESSIONAL RECORD may be aware of the references to Dr. Blair made by the distinguished junior Senator from Illinois, I ask unanimous consent that they may be printed in the RECORD at this point.

There being no objection, the minority views were ordered to be printed in the RECORD, as follows:

(1) The chief economist of the subcommittee, Dr. John M. Blair, developed the theory that administered prices and monopoly prices were synonymous in a book published in 1938 entitled "Seeds of Destruction." He said:

"Most inflexible prices are inflexible because they are in one way or another determined by administrative control. . . . We must study the phenomenon of price setting by corporate monopoly, realizing in so doing that the larger is the percentage of our prices which are fixed by corporate monopoly as against the forces of competition, the higher will our price level probably tend to be, and the smaller will be the chances for any marked increase in real labor income to take place."

The current investigation further develops the preconceived economic theories expounded by Dr. Blair 20 years ago. Even before the opening of the hearings, the chairman of the subcommittee stated:

"Administered price industries . . . (are) those which because of their power have control over prices not affected by normal competitive forces. Examples are steel, newsprint, many types of food, automobiles, and farm machinery."

The majority has accepted the basic premises developed by the subcommittee's chief economist in *Seeds of Destruction*.

Since the majority's report is largely devoted to economic theory developed by the staff, the minority has an obligation to place these concepts in some perspective. *Seeds of Destruction* is a denunciation of the capitalist system and forecasts the inevitability of its ultimate collapse.

Following his review of the weaknesses of capitalism found in more than 400 pages of text, Dr. Blair concluded:

"We have gone at length into the axioms which capitalism has violated, into the aggravating trends which seemingly have made it inevitable for capitalism to violate the axioms, and into the corrective techniques which offer slight hope that capitalism can be made to function in accordance with the axioms.

"In doing this, it has been our hope, as stated in the beginning, to make 'recognizable a forest out of an almost infinite number of variegated trees.' Or, to put it another way, we have tried to place on canvas a picture of capitalism, of the minimum requirements it, or any other industrial society, must meet, of its increasing failure to meet them, of the trends which have tended to keep it from operating in accordance with these axioms, of the movement of these trends, and of the proposals which would supposedly make the system function successfully. In putting together the various segments out of which the picture is composed, it is quite likely, considering the scope of the work, that at times we might have used, in certain places, the wrong colors, that our shadings might in spots be imperfect, that some proportions might be out of line. Wherever we have noted such imperfections, we have endeavored to correct them. But even if we should have missed a number of them, yet the result, as a whole, cannot be

¹ Administered Prices, Steel, Report of the Committee on the Judiciary, United States Senate, Subcommittee on Antitrust and Monopoly, March 13, 1958, p. 203.

interpreted as anything but a none-too-happy picture of capitalism and its probable future."

The minority's examination of the majority's report shows a close parallel between Dr. Blair's theme in *Seeds of Destruction* and the majority's report. A review of the titles from a few chapters in *Seeds of Destruction* is illustrative.

Chapter 4 is entitled "Prices and Wages," a recurrent theme throughout the hearings devoted to the steel industry.

Chapter 6, entitled "The Effectiveness of High Incomes," urged redistribution of income with a lowering of payments to high-income recipients. Dr. Blair's concern with this subject may account for the fact that the majority's report indulged in an attack on the compensation of corporate officials. The minority does not believe that the subcommittee has any legislative purpose in investigating the level and methods of executive compensation.

Chapter 10, entitled "The Centralization of Capitalism," dealt with the concentration prevalent in mass-production industries.

It is significant that the corrective techniques to cure the ills of capitalism recommended by Dr. Blair in 1938 are similar to those suggested in the majority's report.

Section 3 of *Seeds of Destruction* was entitled "The Corrective Techniques."

Chapter 16 was entitled "Raising Our Labor Costs"; chapter 17, "Lowering Our Prices"; and chapter 18, "Redistribution and Expansion."

The majority's report implies that similar remedies are desirable in 1958. Dr. Blair's influence on the majority's report is pervasive.

Because of the grave issues involved and the many inferences of monopolistic practices suggested in the majority's report, the minority is concerned with the consistent bias manifested by the majority. The majority's report reflects the views of the staff, principally Dr. Blair and Mr. Paul Rand Dixon. A strong bias against all large corporate enterprises was shown by Dr. Blair. The minority notes that Dr. Blair's bias has been well documented by disinterested academic economists.

Prof. J. D. Glover, of Harvard University, in the *Attack on Big Business*, published in 1954, made the following observation:

"This is a painful thing to say. But it is a significant fact just the same. Even in what are ostensibly objective, scientific discussions by inveterate critics of big business, there is often revealed a deep, persistent emotional hostility. Their discussions are often marked—as I think Dr. Blair's is here—by pettifoggery and efforts, not to analyze facts, but to handle data in such a way as to make a case against big business. Even argument ad hominem and the technique of finding guilt by association are resorted to."

The minority believe that Dr. Blair has followed the same technique in preparing the majority's report—he has not tried to analyze the facts, but has selected and handled the data so as best to "make a case" against the steel industry.

Prof. Edward S. Mason, of Harvard University, who was Deputy Assistant Secretary of State for Economic Affairs in the previous administration, in *Economic Concentration and the Monopoly Problem*, published in 1957, made this observation:

"Much of the literature on concentration continues to exude an ominous presentiment of catastrophe. This is particularly true of two postwar studies, the Report of the Smaller War Plants Corporation on Economic Concentration in World War II, and the reports of the Federal Trade Commission on mergers. . . ."

"The report (the FTC report on mergers) also holds that 'no great stretch of the imagination is required to foresee that if

nothing is done to check the growth in concentration either the giant corporations will ultimately take over the country, or the Government will be compelled to step in.'"

Professor Mason shows that Dr. Blair admitted that his own statistics did not support his conclusion. Professor Mason continued:

"The principal author (John M. Blair) of this report later declared, however, that 'a careful reading of the Commission's merger report will reveal that in no place did the Commission state that the merger movement has substantially increased concentration in manufacturing as a whole.'"

These comments from recognized academic authorities are included to assist readers of the majority's report in evaluating the analysis developed by the minority.¹

(2) Dr. Blair has been criticized before by eminent economists for the way in which he uses statistics. Prof. M. A. Adelman, of the Massachusetts Institute of Technology, in an article in the *Review of Economics and Statistics* of November 1952, made this comment with reference to Dr. Blair's use of statistics:

"The number of technical criticisms is not an index of their importance. There are two possible reasons for criticizing a statistical presentation. One is irrelevance, and it is absolute. If anyone presents tables to estimate annual membership in the CIO by applying a factor to annual rainfall in the state of Hyderabad, it does not matter that the rainfall figures are correct to beyond the last decimal place—membership and rainfall have no logical connection. This is the criticism which Mr. Blair has incurred."

"Challenged on these conclusions, Mr. Blair claims his reasons were 'respectable'—but he does not try to defend those reasons. He ignores them and presents a fresh set of reasons. This is a more eloquent commentary than any I could make."

The minority does not feel that it can improve upon Professor Adelman's characterization of Dr. Blair's statistical procedures.²

Mr. BUTLER. Mr. President, it is a matter of great concern to me that any Senate committee should operate with a staff whose biases are so evident and well known. I believe from my careful review it can be reasonably concluded that a definite bias underlines all of Dr. Blair's economic and statistical reasoning.

So as to clarify the record, in view of the fact that Dr. Blair has defended *Seeds of Destruction* as recently as May 1957, I have taken the time to read this book and study it thoroughly. In an effort to create the impression that his writings are well documented and predicated on authoritative sources, Dr. Blair provides footnotes throughout *Seeds of Destruction*. A list of the authorities he consulted is shown at the end of every chapter. I have checked the footnotes and the authorities listed. It was surprising that so many of them should be individuals whose names appear in the records of the Committee on Un-American Activities, the Senate Internal Security Committee, or other Congressional

¹ Administered Prices, Steel, report of the Committee on the Judiciary, United States Senate, Subcommittee on Antitrust and Monopoly, March 13, 1958, pp. 143-145.

² Administered Prices, Steel, report of the Committee on the Judiciary, United States Senate, Subcommittee on Antitrust and Monopoly, March 13, 1958, p. 182.

committees concerned with the broad problem of un-American activities.

At this point, Mr. President, I ask unanimous consent to have printed in the *RECORD* some of the statements attributed to Dr. Blair's authoritative sources together with the background of these authorities which I have compiled from Congressional hearings and reports.

There being no objection, the material was ordered to be printed in the *RECORD*, as follows:

CITATIONS ON LABOR FACT BOOKS

Labor Fact Books are published by International Publishers. This is the official publishing house of the Communist Party, U. S. A.

Hearings before a Special Committee on Un-American Activities, House of Representatives, 75th Congress, 3d session, on H. R. 282, 1938 (hereafter referred to as Dies committee):

Volume 1—testimony of Walter S. Steele: Page 312: "The officers (of the Communist Party) also include . . . Alex Trachtenberg, director of literature and also heads their largest publishing house, International Publishers."

Page 345: "The publishing houses in the United States include International Publishers, Inc., New York City."

Page 370: "Labor Fact Book No. 3, published by International Publishers, New York City, and prepared by Labor Research Association, both Communist organizations." (Excerpts from Labor Fact Book No. 3 follow on pp. 370-371.)

Page 373: "Labor Fact Book No. 2, published by the International Publishers, 381 Fourth Avenue, New York." (Excerpts from Labor Fact Book No. 2 follow on pp. 373-374.)

Page 410: "Few Communists, let alone outsiders, have any idea that the International Publishers is one of the largest, bar none, of the publishing houses in America."

REFERENCES TO LABOR FACT BOOKS IN SEEDS OF DESTRUCTION

Chapter 15, page 354, footnote 22 of *Seeds of Destruction*: A chart on Federal income, 1928 to 1934. (From Labor Fact Book II, p. 61.)

Chapter 1, page 16, footnote 21 of *Seeds of Destruction*: "From 1899 to 1929 the average number of wage earners increased from a base of 100 in 1899 to a level of 188 in 1929. By 1933, however, the figure had declined to 124." (From Labor Fact Book III, 1936, p. 59.)

Chapter 3, page 81, footnote 27 of *Seeds of Destruction*: "During the depression salaried workers—especially those in offices—were very hard hit, the number of salaried workers employed declining 30 percent between 1929 and 1932, with their per capita earnings decreasing 15.3 percent." (From *ibid.*, p. 109.)

Chapter 6, page 151, footnote 21 of *Seeds of Destruction*: "During this period (1929 to 1932) the drop in total wages, salaries, compensation payments, pensions and other forms of payments to workers amounted to 40 percent the total income from property and business (including farms) fell 38 percent." (From *ibid.*, p. 80.)

Chapter 7, page 159, footnote 2 of *Seeds of Destruction*: "When capitalism ceases to expand, employment and wages in the producers' goods drop disastrously, as was indicated in the foregoing table; this drop, had as it was in the industries usually classified within the capital goods field, becomes much more severe when construction is included. And while all construction is not of a producers' goods nature, that segment of construction which could be so classified employs thousands of workers and is very useful as an index in determining capitalism's behavior in respect to expansion. Thus we

find that contracts awarded for factory construction fell from \$509,840,000 in 1928 to \$127,517,000 in 1933, reaching a low of \$108,858,000 in 1933." (From *ibid.*, p. 12.)

Chapter 10, page 256, footnote 36 of *Seeds of Destruction*: A table entitled "Deposits in United States Commercial Banks and Trust Companies (In Millions of Dollars)." (From *Labor Fact Book III*, 1936, p. 20.)

CITATIONS ON SILAS BENT

Special Committee on Un-American Activities, House of Representatives, 78th Congress, 2d session, on House Resolution 282, appendix, part IX, Communist Front Organizations, 1944. (Hereafter referred to as appendix IX.)

Page 368: Signator: Open letter to the President of the United States, sponsored originally by the American Council on Soviet Relations, urging a declaration of war on the Finnish Government in the interests of speedy victory by the United Nations over Nazi Germany and its Fascist allies. (From an official folder of the American Council on Soviet Relations.)

Page 1148: Committee member: Prisoners Relief Fund (from a fund appeal, stating: "This is a permanent committee which aids the I. L. D. in this one job").

Page 1201: Signator: "Signatures to the open letter are pouring into the office of the National Council of American-Soviet Friendship * * * (from "Soviet Russia Today," June 1943, p. 21).

REFERENCES TO WORK OF SILAS BENT IN SEEDS OF DESTRUCTION

Chapter 1, page 12, footnote 1 of *Seeds of Destruction*: From *Machine Made Man*, 1930, page 187.

Chapter 1, page 16, footnote 18 of *Seeds of Destruction*: From *ibid.*

CITATIONS ON STUART CHASE

Dies Committee Public Hearings (Vol. I):

Pages 564-565; 702: The following item was taken from the July 15, 1926, issue of the *Daily Worker*, official organ of the Communist Party:

"TEXTILE PROBLEMS TO BE DISCUSSED AT BROOKWOOD COLLEGE

"Kotonah, N. Y., July 13: Problems of organizing the textile industry will be discussed at the textile institute which opens at Brookwood Labor College today. The United Textile Workers' executive committee will hold its annual meeting in connection with the institute. About 40 persons will attend the institute.

"Speakers will include Hugh Frayne, of the American Federation of Labor; Edwin Newdick; Spencer Miller, Jr.; Ethel M. Smith, of the Women's Trade Union League; George Soule, A. L. Bernheim, and Stuart Chase, of the labor bureau; and John Sullivan, president of the New York Federation of Labor. Discussion of organization problems will be led by Dr. Arthur W. Calhoun, instructor of economics at Brookwood."

Page 566: Brookwood College (endorser).

Page 575: National Council for Protection of Foreign Born (committeeman.)

Page 684: League for Industrial Democracy (officer).

Pages 687, 689; L. I. D. "Stuart Chase, prominent in Socialist ranks, is the treasurer."

Page 690: L. I. D. listed as treasurer.

Page 692: The Fabian Society:

"The Fabian Society was founded in England in the form of a debating society by Thomas Davidson, an ethical anarchist-Communist. In 1884 it adopted the name The Fabian Society. * * *

"It has been alleged that there was an apparent connection between The Fabian Society and anarchists in England. However, the society finally became a legislative and propaganda agency for socialism. Approximately half of the members belonged

to the Independent Labor Party in England, which was founded in 1893 by Kier Hardie and Frederick Engels, disciples of Karl Marx. The Independent Labor Party took over the original political activity of The Fabian Society, leaving the latter to carry on with the propaganda and literary work.

"In 1931 the Fabian Society advocated 'Socialism by municipalization and nationalization of industry and a world control by a centralized superpower,' and a heavy income tax and inheritance tax to accomplish it.

"Stuart Chase is said to be the leader of the Fabian movement in the United States. Chase is also treasurer of the League for Industrial Democracy; treasurer of the Russian Reconstruction Farms in 1926; member of the national committee of the League for Independent Political Action, which tried to put over a successful third party campaign in 1924; advisory committee of the People's Lobby, which, under the leadership of Prof. John Dewey, the defender of Leon Trotsky, advocates Government ownership; vice president of the Public Ownership League; sponsor of the Emergency Peace Campaign; advisory council of the American Association for Old Age Security; advisory council of the Society for Cultural Relations with Soviet Russia; advisory committee, Cooperative Distributors, Inc.; and an instructor at the Rand School for Social Science. It is understood that Chase was implicated in the Communist-controlled Fur Workers' International Union scandal some years ago, according to an American Federation of Labor report. He is author of *Socialism of Our Times*, *Socialist Planning* and *A Socialist Program*, and *A New Deal*, which was first published in August 1932."

Page 703: Endorser, Brookwood College.

Volume VII, page 4700: Technical and advisory staff, American Trade-Union Delegation to the Soviet Union.

"Stuart Chase, director, Labor Bureau, Inc., and certified public accountant, Massachusetts Institute of Technology and Harvard University; author, *Tragedy of Waste*, etc."

Appendix IX, page 362: Sponsor, American Committee to Save Refugees.

Page 472: Director and treasurer, Russian Reconstruction Farms, Inc.

Page 584: Artists Union (sponsor).

Page 659: Consumers National Federation (sponsor).

Page 689: Descendants of the American Revolution (sponsor).

Page 759: Friends of the Soviet Union (on the reception committee to greet the Soviet flyers and the workers and peasants they represent).

Page 1474: Prestes Defense (signatory of a cablegram which was forwarded to President Vargas of Brazil in defense of Luiz Carlos Prestes).

Page 1547: Theatre Arts Committee and United American Artist (sponsor).

REFERENCES TO WORK OF STUART CHASE IN SEEDS OF DESTRUCTION

Chapter 12, page 287, footnote 2, of *Seeds of Destruction*: "Corn yields in sections of Iowa have dropped from 50 to 25 bushels per acre within the lifetime of a man not yet old." (From *Rich Land, Poor Land*, 1936, p. 37.)

Chapter 12, page 288, footnote 3, of *Seeds of Destruction*: "Not more than one-tenth of the old virgin forest remains and in a generation or less, at this (the present) rate of exploitation, there will be no more reserves. * * * One hundred and seventy-five million acres of grazing lands have been seriously depleted. As in the case of forests, when new vegetation secures a foothold, the species is inferior to the old climax crop." (From *ibid.*, pp. 37-39.)

Chapter 1, page 19, footnote 38, of *Seeds of Destruction*: "Stuart Chase estimates that if the 40-hour week were universally estab-

lished, 'on the June 1933 estimate of output per man, 71 percent of the 1923-25 working force could produce the 1923-25 output. In other words, 71 men, working by June 1933 technical methods, could produce as much as 100 men did in 1923-25 and do it on a shorter workweek.'" (From *What Hope for the Jobless?* Current History, November 1933.)

CITATIONS ON EVANS CLARK

Facts and fabrications about Soviet Russia by Evans Clark, the Rand School of Social Science, 1920, page 8:

"The Russian revolution has, in fact, disclosed the complete bankruptcy of the conservative press, Government officials, leading businessmen, and publicists as sources of reliable information.

"The attacks upon the Government of Soviet Russia by responsible officials of the United States Government, not to mention the governments of other allied nations, have violated all canons of diplomatic and social custom and propriety."

AMERICANISM AND THE SOVIET BY EVANS CLARK, IN THE NATION, MARCH 22, 1919

Page 424: "Soviet Russia thus throws our American institutions into a novel perspective. It probes anew our ideals of self-government. The Soviet, unified, responsible, controlled by the masses at every point, and amenable to change with the times, is a penetrating commentary on our congealed Constitution, our sovereign courts, our President, our Senate, and our House, only intermittently responsible and frankly designed to check and to balance the popular will, and our restricted and rather futile electorate."

REFERENCES TO WORK OF EVANS CLARK IN SEEDS OF DESTRUCTION

Chapter 14, page 327, footnote 4 of *Seeds of Destruction*: "Even so, the figure would be considerably higher if financial debts had been included, and by financial debts are meant the long-term debts of insurance companies, real-estate companies, investment trusts, and financial houses. An estimate of these financial debts for the year, 1931-32, places the figure at \$21,919 million." (From *The Internal Debts of the United States*, 1933, p. 10.)

Chapter 14, page 332, footnote 8 of *Seeds of Destruction*: "The most accurate figure available places short-term debts in the United States for 1931 as amounting to about \$112.4 billion." (From *ibid.*, p. 22.)

Chapter 14, page 334, footnote 13 of *Seeds of Destruction*: "The prosperity and boom period of 1922-29 provides us with a fantasy of debt growth as compared to that of our national wealth and income. During this period, according to the Twentieth Century Fund's estimate, long-term obligations (including financial debts but excluding stocks) rose 68 percent; our national income increased only 29 percent and our national wealth grew but 20 percent." (From *ibid.*, p. 16.)

Chapter 14, page 335, footnote 16 of *Seeds of Destruction*: "One of the principal results of a large outstanding body of debt is the general strain upon the economy as a whole in paying the annual sums which make up debt service. This debt service—most all of which falls under the strict classification known as interest—in the prewar year, 1913-14, amounted to \$2,143,000,000, in 1921 it was \$4,953,000,000, by 1929 it had risen to \$7,642,000,000, and in 1933 it had mounted to about \$7,910,000,000." (From *ibid.*, p. 13.)

CITATIONS ON LEWIS COREY (ALSO KNOWN AS LOUIS C. FRAINA)

Dies Committee Executive Hearings (Vol. VII, 1943):

Pages 3147-3148: Signator, "Writers in Support of Communists." Call to support Communist candidates in election. (From *Daily Worker*, September 14, 1932.)

Pages 3148-3163: Signator, Culture and the Crisis. An open letter to the writers, artists, teachers, physicians, engineers, scientists, and other professional workers of America—League of Professional Groups for Foster and Ford.

Dies Committee Public Hearings (Vol. I):

Page 286: Testimony of Walter S. Steele re Communist activities in the United States: "The Third International, which was founded at a conference held in Moscow from March 2-6, 1919, issued a manifesto on September 8 of the same year, calling on all revolutionaries of the world, whether Socialist, syndicalist, or anarchist to unite and form unified Communist parties to become sections of the Third International. The drafting committee of this call was composed of Lenin, Trotsky, Zinoviev, Rakovsky, and Fritz Platten. Zinoviev was elected titular president of the executive committee. Among the Americans placed on the executive committee soon thereafter were L. Fraina."

Page 379: Testimony of Walter S. Steele on League of Professional Groups: "The leaders of the league include * * * Lewis Corey."

Dies Committee Public Hearings (Vol. VII):

Page 4530: Testimony of Benjamin Gitlow: "Two Communist parties merged in 1919, in the beginning of September. One was the Communist Party of America, which was dominated by the expelled Russians of the Socialist Party, and the other was the Communist Labor Party, which I, together with John Reed, led."

"Right after the conventions in September 1919 the two Communist organizations in America rushed representatives to Moscow to get official recognition by the Communist International and to get recognition from the Bolshevik leaders in Moscow."

"John Reed went for the Communist Labor Party and Louis Fraina, the other, for the Communist Party of America."

Dies committee public hearings (vol. XIV), pages 8824-8825: Statement by J. B. Matthews, director of research for committee:

"Mr. Chairman, Louis C. Fraina was the first American ever appointed to the Communist International by Lenin personally immediately after the World War. Fraina was the one American member of the Communist International at that time. He was at that time, while traveling considerably abroad, residing in Boston, and this correspondence discloses the fact that the Reed sisters, who must have been rather young then, and who were students of Radcliffe College, were in close personal touch with Fraina."

"This is the first Communist book ever published in the United States which was written by Louis C. Fraina. That book was published in 1918. Fraina was the first editor of the first Communist magazine in the United States."

Guide to Subversive Organizations and Publications by the Committee on Un-American Activities, United States House of Representatives, Washington, D. C., House Document No. 137, 82d Congress, 1st session, page 148:

"Revolutionary Age, the official organ of the Communist Party and devoted to the overthrow of the United States Government. With headquarters in Boston, Louis Fraina, the first Communist editor in the United States, edited the Revolutionary Age. In an issue of his magazine dated July 12, 1919, Fraina called for 'the annihilation of the fraudulent democracy of the parliamentary system.'" (Special Committee on Un-American Activities, report, June 25, 1942, pp. 6 and 17.)

Organized Communism in the United States by the Committee on Un-American

Activities, United States House of Representatives, August 19, 1953:

Page 4, Socialist Party Left-Wing Section Convention, 1919—Manifesto: "The following program for the convention was prepared by Louis C. Fraina under the title of 'Manifesto of Left-Wing Section of the Socialist Party of Local Greater New York.'" (From Lusk committee reports, vol. I, p. 706.)

Pages 4-13: The text of the above Manifesto.

Page 10, section titled "National Conference of Left Wing": "Gitlow's explanation as to the reasons for the split in the left-wing element at the national conference of June 1919 differs somewhat from the reasons previously given. He says that one faction, composed of the foreign-language federations and supported by Fraina, Lovestone, Wolfe, Ruthenberg, and Ferguson, wanted the passage of a motion calling upon the conference to immediately organize a Communist Party of the United States. The other faction, composed of Reed, Larkin, Katterfield, Wagenknecht, Gitlow, and others, insisted that only after the national convention of the Socialist Party had refused to recognize the left wing as the majority should the left wing split the Socialist Party and organize a Communist Party. The motion sponsored by the foreign-language groups was defeated. This was followed by the election of a national council composed of Louis C. Fraina, Charles E. Ruthenberg, Isaac E. Ferguson, John J. Ballam, James Larkin, Benjamin Gitlow, Eadmonn MacAlpine, Maxmillian Cohen, and Bertram D. Wolfe."

Page 29, "The Communist Party of America, 1919" (chapter title): "On July 19, 1919, the national organizing committee issued the first number of the Communist as the official organ of the Communist Party of America. Dennis E. Batt was the editor."

"Pursuant to the above-mentioned call, the Communist Party convention opened in Chicago in September 1, 1919. Louis C. Fraina was elected temporary chairman, and the work of the convention proceeded."

"A committee composed of Louis C. Fraina, D. Elbaum, Alexander I. Stoklitzky, Nicholas I. Hourwich, Alexander Bittelman, Dennis E. Batt, Maxmillian Cohen, Jay Lovestone, and H. M. Wicks was appointed to formulate a program. The following manifesto, program, and constitution were adopted." (From Lusk committee reports, vol. I, p. 776.)

Pages 29-41: The text of the above manifesto, program, and constitution.

Pages 131-132, "The Relationship of American Communism to the Soviet Union" (chapter title): "Subsequently, Louis C. Fraina, later to be known as Lewis Corey, as international secretary of the Communist Party of America, made application for admission to the Communist International. In this application, Fraina reviewed the history of the Socialist Party of America, the formation of the Communist Party of America, and closed his petition with the following: 'The Communist Party realizes the immensity of its task; it realizes that the final struggle of the Communist proletariat will be waged in the United States, our conquest of power alone assuring the world Soviet Republic. Realizing all of this the Communist Party prepares for the struggle. Long live the Communist International. Long live the world revolution.'"

APPENDIX IX

Page 796: "Isaac E. Ferguson, a member of the national committee of the International Juridical Association, was one of the charter members of the Communist Party in the United States. He was editor of the Communist, official organ of the Communist Party and his editorial colleague was none other than Louis C. Fraina who now goes under the name of Lewis Corey. Ferguson was 1 of 7 members of the committee which

drew up the first constitution for the Communist Party in America. He was also a member of the managing council of the Revolutionary Age, of which publication Louis C. Fraina was the editor."

References to work of Lewis Corey in *Seeds of Destruction*

Chapter 7, page 164, footnote 8 of *Seeds of Destruction*: "Always the capital goods rises more than that of consumption goods. * * * Capital goods output was 52 percent higher in 1928-29 than in 1921-22, consumption goods only 32 percent higher." (From *The Crisis of the Middle Class*, 1935, p. 204.)

Chapter 10, page 245, footnote 14 of *Seeds of Destruction*: "By 1929 this concentration had proceeded so far that the smaller corporations whose net incomes were below \$10,000, though constituting 70 percent of all corporations, received only 5 percent of all corporate net income. But during the same year 1,349 great corporations, only 0.26 percent of the total, received approximately 60.1 percent of all corporate net income." (From *Ibid.*, p. 157.)

Chapter 10, pages 247-248, footnotes 22 and 23 of *Seeds of Destruction*: "Another way in which one can note the movement toward concentration is through checking the number of interlocking directorships held by persons high in financial and corporate circles. In 1899 15 New York City banks held 1,762 such directorships in various financial, industrial and utility corporations. By 1931 this number had risen to 5,324. In 1929 the three chief Morgan banks—Bankers Trust, Guaranty Trust, and First National—held directorships in public utility companies alone having assets of over \$8 billion, and altogether in 1929 the 167 directors of the House of Morgan oligarchy held directorships in corporations having assets of \$74 billion, which amount was 22 percent of all such assets in the land." (Footnote 22 from the *Decline of American Capitalism*, 1934, p. 402.) (Footnote 23 from the *Crisis of the Middle Class*, 1935, p. 187.)

Chapter 1, pages 21-22, footnote 48 of *Seeds of Destruction*: "Large numbers of workers were permanently displaced in manufactures and mining and on the railroads. * * * By 1929 the higher productivity of labor in manufactures had displaced 2,832,000 workers, of whom 2,416,000 were, however, reabsorbed by an increase in production; the absolute displacement was 416,000 workers. On the railroads 345,000 workers were displaced by higher productivity and 71,000 by a decrease in output, making the displacement 416,000 workers. In coal mining higher productivity displaced 95,000 workers but the absolute displacement was raised to 171,000 workers by lower output." (From the *Decline of American Capitalism*, 1934, p. 226.)

Chapter 1, page 23, footnote 54 of *Seeds of Destruction*: "In 1929, 300,000 fewer workers in the capital goods industries were needed to turn out a greater volume of goods than in 1919. This represented a decrease of 10 percent within 10 years in that field. During the same period consumption goods workers declined 138,000, a drop of 2 percent." (From *Ibid.*, p. 293.)

Chapter 1, page 24, footnote 61 of *Seeds of Destruction*: "One estimate is that if production in 1934 reaches the 1923-25 level, with the average workweek reduced to 40 hours and no further rise in the productivity of labor, 12 million wage and clerical workers will still be jobless, a total which may be reduced by part-time work; if the 35-hour week is introduced, the unemployed will still number 9 million, which would become greater if the productivity of labor rises." (From *Ibid.*, p. 253.)

Chapter 1, pages 30-31, footnote 73 of *Seeds of Destruction*: "The productivity of labor rose 98 percent in 1919-27 in the manufacture of automobiles and 198 percent in rubber tires. * * * In 1923-29 productivity

rose 65 percent in the coke industry, 48 percent in beet sugar and condensed milk, 46 percent in tanning, and 44 percent in petroleum refining. * * * It rose 30 percent in the electrical manufacturing industry and over 26 percent in electric-power plants. * * * The dial telephone displaced more than half the operators * * * building construction was intensively mechanized. The cement gun and paint spray cut in half the labor of painting; a sanding machine for flooring did the work of six hand workers; the time needed to erect large buildings was cut 30 to 40 percent. * * * In roadbuilding, output per worker rose from 4.7 lineal feet in 1919 to 17.7 lineal feet in 1928." (From the *Decline of American Capitalism*, 1934, p. 225.)

Chapter 1, pages 32-33, footnote 76 of *Seeds of Destruction*: "There is one industry which ought to receive particular attention because it is fundamental in our economy, namely, the iron and steel industry. The above table (shown on p. 33) shows that in the iron and steel industry the percentage of stacks mechanically charged rose from 57 percent in 1911 to 88 percent in 1926, while the use of the continual process—a process which makes unnecessary the work of thousands of steelworkers—grew from 79.7 percent of all the industry in 1913 to 91.7 percent in 1931. As a result of the erection of entirely new, electrically powered rolling mills, 5 plants with only 130 men can now roll as many sheets as formerly required 4,000 men. The productivity of labor in blast furnaces rose 135 percent between 1919 and 1935, blast furnaces being now almost entirely manless and automatic. In the steel works and the rolling mills during this same period the productivity of labor rose 43 percent." (From *ibid.*, p. 225.)

Chapter 4, pages 98-99, footnote 51 of *Seeds of Destruction*: "The unused portion of excess capacity, ranging up to 75 percent, was particularly great in the newer industries: Radio, automobiles, rayon, chemicals. * * * Because of the growing use of electric power, more efficient combustion methods, and the higher productivity of labor, coal mining was increasingly tormented by unused capacity. * * * There was an unused capacity of 15 percent in paper manufacture, 20 percent in petroleum refining, 25 to 40 percent in glassware. * * * In sugar refining the unused capacity was 100 percent. * * * While capacity in the plants of the United States Steel Corp. rose 15 percent, operations fell from 89 percent of capacity in 1923 to 87 percent in 1929, with an average of 82 percent operation in 1924-29. * * * Unused capacity was 50 percent in boots and shoes, and 40 percent in clothing. * * * In shipbuilding, output fell from 9,472,000 gross tons in 1919-21 to 631,000 gross tons in 1927-29, an indication of tremendous unused capacity. * * * It amounted to 64.2 percent in central electric stations. * * * Considerable excess capacity existed also in oil and metal production, on the railroads (partly because of bus and motortruck competition), and in electrical manufacturing." (From *ibid.*, p. 163.)

Chapter 7, page 167, footnote 16 of *Seeds of Destruction*: "From 1923 to 1929 corporate net profits in manufactures increased from \$3,872 million to \$4,760 million, or 22.9 percent, officers' salaries rose from \$960 million to \$1,117 million, or 16.4 percent, but total wages crept upward from \$11,009 million to \$11,684 million, an increase amounting to only 6.1 percent." (From *ibid.*, p. 68.)

Chapter 7, page 167, footnote 17 of *Seeds of Destruction*: "For all fields corporate profits rose from \$7,721 million in 1923 to \$10,892 million in 1929, an increase of 41.1 percent, officers' salaries grew from \$2,575 million in 1923 to \$3,336 million in 1929, an increase of 29.7 percent, but industrial wages actually decreased, falling from a total of \$18,105 million in 1923 to \$18,050 million in

1928, a drop of 0.3 percent, and all wages grew from \$28,691 million in 1923 to \$32,235 million in 1928, an increase of only 12.4 percent, less than one-third the growth registered by corporate profits." (From *ibid.*, p. 72.)

Chapter 7, pages 167-168, footnote 18 of *Seeds of Destruction*: "During the period, 1923-29, the index of dividends and interest combined rose 77.2 percent though what is most amazing is the tremendous advance that took place in speculative profits. These profits rose from \$1,172 million in 1923 to \$4,684 million in 1929, an increase of 300.3 percent, approximately 25 times the increase that took place in wages." (From *The Decline of American Capitalism*, 1934, p. 172.)

Chapter 7, page 169, footnote 25 of *Seeds of Destruction*: "That this phenomenon of wages dropping much more rapidly than profits during a period of depression does not happen to be an unusual occurrence is borne out by the fact that in the depressed years, 1920-22, corporate wages fell 16.9 percent while dividends and interest actually rose 2.4 percent." (From *ibid.*, p. 69.)

Chapter 7, page 173, footnote 38 of *Seeds of Destruction*: "So large were the savings funds being utilized in trading on old, outstanding issues during the twenties and so great were the profits attendant upon such unproductive investments that the commissions alone of brokers on the New York Stock Exchange in 1928 amounted to \$400 million, an average of \$365,000 for each of the 1,100 members." (From *ibid.*, p. 173.)

Chapter 9, pages 227-228, footnote 29 of *Seeds of Destruction*: "Interindustry competition often sends advertising bills skyrocketing. Producers of substitute commodities frequently spend more on advertising their products than do the established firms in the field. Thus we find that manufacturers of products competing with wood have spent as much as \$22 million in 1 year on promotion campaigns against lumber. To meet this competition the lumber industry has retaliated with a campaign of its own. Against the competition of rayon, the older textiles spent enormous sums on advertising, one firm alone appropriating \$750,000 yearly. The National Retail Shoe Dealers Association, fighting to keep its share of the consumer's dollar going into apparel, in 1927 appropriated \$4 million for an advertising campaign, the purpose of which was to sell more shoes on the basis of style and color appeal." (From *ibid.*, p. 167.)

Chapter 10, page 245, footnote 15 of *Seeds of Destruction*: "In 1923 the largest 1,240 corporations engaged in manufacturing received 64.9 percent of all corporate net income, while 6 years later in 1929 the largest 1,289 corporations in the field received 75.6 percent of the income." (From *ibid.*, p. 70.)

Citation on Grace Coyle

Dies Committee Public Hearings (Vol. I, 1938):

Page 570: Evidence submitted by Walter S. Steele, Social Workers' Committee to Aid Spanish Democracy, member national committee.

Page 875: Cited by J. B. Matthews as sponsor of American Youth Congress.

APPENDIX IX

Pages 534-555: Member, National Advisory Committee of the American Youth Congress.

Pages 1205-1206: Signator, call for a national emergency conference, to be held at the Hotel Raleigh, Washington, D. C., May 13 and 14, 1939.

Pages 1239-1244: Signator, a message to the House of Representatives: Abolish the Dies committee as a step toward victory in 1943.

Page 1456: Listed among cooperators-sponsors, *Social Work Today*, published at 112 East 19th Street, New York, N. Y. (From issue of February 1939.)

References to work of Grace Coyle in *Seeds of Destruction*

Chapter 3, page 76, footnote 15, of *Seeds of Destruction*: "Orders are passed along by means of a belt and lights, from a chief clerk to a series of checkers and typists, each of whom does one operation. The girl at the head of the line interprets the order, puts down the number and indicates the trade discount; the second girl prices the order, takes off the discount, adds the carriage charge, and totals; the third girl gives the order a number and makes a daily record; the fourth girl puts this information on the alphabetical index; the fifth girl time-stamps it; it next goes along the belt to one of several typists, who makes a copy in septuplet and puts on address labels; the seventh girl checks it and sends it to the store-room." (From *Present Trends in Clerical Occupations*, 1929, p. 20.)

Citations on Earl Everett Cummins

Committee on Un-American Activities, hearings, volume III, 83d Congress, 1st session, 1953, opposite page 2673 (copy of brochure): Signator under education section, call to New York State model legislature at the College of the City of New York, January 28-30, 1938, by New York City Council, American Youth Congress.

References to work of Earl Everett Cummins in *Seeds of Destruction*

Chapter 1, page 19, footnote 35 of *Seeds of Destruction*: "Various estimates have been made of the effect of this increasing productivity upon industry. Thus we note that between 1924 and 1927 labor productivity rose so rapidly that 5 percent fewer employees were able to produce 7 percent more product in 1927 than in 1924" (from the *Labor Problem in the United States*, 1932, p. 49).

Citations on Jerome Davis

Dies Committee Executive Hearings:

Testimony of Edward Cassell, former member of the central executive board, Communist Party of Kansas, volume IV, pages 1677-1678: Cassell included Jerome P. Davis among persons appearing on letterhead of Galena Defense Committee as members of the Communist Party.

Testimony of Lucien Koch:

Volume VII, page 3086: Listed among advisory committee of Commonwealth College Association in article from the *Commoner*, Mena, Ark., June 1939, pages 1, 4.

Volume VII, page 3190: Listed as sponsor of fourth annual conference of American Committee for Protection of Foreign Born to be held in Washington, D. C., on March 2 and 3, 1940.

Dies Committee Public Hearings (Vol. I):

Page 374: Testimony of Walter S. Steele, signator of April 1938 statement during series of Communist purges in Russia, "the measures taken by the Soviet Union to preserve and extend its gains and its strength find echoes here, where we are staking the future of the American people on the preservation of progressive democracy and the unification of our efforts to prevent Fascists from strangling the rights of the people. American liberals must not permit their outlook on these questions to be confused nor allow recognition of the place of the Soviet Union in the international fight for democracy against fascism to be destroyed. We call upon them to support the efforts of the Soviet Union to free itself from insidious internal dangers."

Page 518: Testimony of Walter S. Steele, signator of the Golden Book of American Friendship with the Soviet Union, November 1937, and also spoke at presentation held at Carnegie Hall (at that time Davis was head of the American Teachers' Federation).

Evidence submitted by Walter S. Steele: Page 531: Listed as member of committee on labor injunctions of the American Civil Liberties Union, 1937.

Pages 565-566 and 703: Prof. Jerome Davis listed among religious leaders who sponsored the Brookwood School article in August 9, 1928, issue of the Star, Washington, D. C.

Page 569: Listed as advisory committee member of North American Committee To Aid Spanish Democracy.

Page 578: Listed as member of the national committee of the Workers' Defense League.

Page 680: Davis opposed the New York State legislative act which barred Communists from holding office (March 1938). Communist publications consider him in the light of an authority on Russia. He is a frequent visitor to Russia, and has learned to speak its language. Davis is State (Connecticut) chairman of Labor's Nonpartisan League; a member of the national advisory committee of (Communist-atheistic) Commonwealth College of Mena, Ark.; national advisory committee of the American Youth Congress; member of the advisory board of the Russian Reconstruction Farms, 1926; national committee of the League Against Fascism, 1932; League for Industrial Democracy; Federal Council of Churches, and the Society for Cultural Relations with Russia.

Page 686: Listed among officers of League for Industrial Democracy.

Page 690: Listed among board of directors of LID.

Testimony of Leo A. Dawson on Federal theater project, page 936: Author of play entitled "A Trojan Incident" put on by the project. New York Journal review read: "I suggest that the production be turned over to the War Department to be used as poison gas in warfare."

Dies Committee Public Hearings (Vol. II):

Testimony of Walter S. Reynolds, page 1332: Prof. Jerome Davis among list of advisory or sponsoring committees of Friends of Spanish Democracy.

Dies Committee Public Hearings (Vol. VII):

Testimony of Benjamin Gitlow, page 4700: Listed as technical and advisory staff member of the American Trade-Union Delegation to the Soviet Union (c. 1925). Title following his name reads: "Professor, practical philanthropy, Yale University; expert on Russian affairs; author, The Russian Emigrant, etc."

Dies Committee Public Hearings (Vol. IX):

Testimony of Oliver Kenneth Goff, page 5605: Identified as a member of the advisory editors of the Champion, a publication for youth controlled by the Young Communist League.

Dies Committee Public Hearings (Vol. X):

Testimony of Harry Freeman Ward, page 6278: Listed among National Committee, American League for Peace and Democracy, as of April 4, 1939.

House Report No. 1954, review of the Scientific and Cultural Conference for World Peace, made House report April 26, 1950, originally released April 19, 1949:

Page 7: Among the 31 former supporters of the American League Against War and Fascism who sponsored the conference.

Page 7: Sponsor of American League for Peace and Democracy. Cited as subversive by the Attorney General.

Pages 17-18: As sponsor of conference. Tabulation shows he belonged to from 41 to 50 Communist-front organizations.

Pages 20-35: Belonged to following miscellaneous front affiliations: Consumers Union (p. 25); Coordinating Committee to Lift the Embargo (p. 26); International Labor Defense (p. 27); League of American Writers (p. 29); Medical Bureau and North American Committee to Aid Spanish Democracy

(p. 30); National Negro Congress (p. 32); Supporters of Communist Bookshops (p. 35) (all cited as subversive, except last).

Page 39: Listed among group titled "Miscellaneous Activities in Support of Communist Party or Young Communist League."

Page 39: Supporter of Mother Bloor birthday celebration, 1937.

Pages 47-54: Section on support of the Soviet Union, listed under following: Meeting to greet the Soviet constitution, 1936 (p. 47); statement by American Progressives on the Moscow trials (p. 47); sends greetings on 21st anniversary of Russian revolution (p. 48); support of Soviet Union, miscellaneous (p. 49); visits the Soviet Union, first American delegation to U. S. S. R. (p. 49); National Council of American-Soviet Friendship (cited as subversive by Attorney General) (p. 50); Soviet Russia Today (publication) (cited as Communist front by Committee on Un-American Activities) (p. 54).

Page 56: Section on the Communist Press. Listed under following: New Masses pages 57-58: From the New York Times, March 24, 1949—Sponsors of the World Peace Conference: The following list of sponsors of the Cultural and Scientific Conference for World Peace, said to be correct as of yesterday, was given out by the National Council of the Arts, Sciences, and Professions, sponsor of the conference: Dr. Jerome Davis.

Statement on the March of Treason, a Study of the American Peace Crusade issued by the Committee on Un-American Activities February 19, 1951, page 2: "The so-called American Peace Crusade stems from the Scientific and Cultural Conference for World Peace in March 1949 which was described by Secretary of State Dean Acheson as a sounding board for Communist propaganda. . . . Among those identified with both the Peace Crusade and the Scientific and Cultural Conference for World Peace are the following: Jerome Davis".

House Report No. 378, The Communist Peace Offensive, April 1, 1951:

Page 57: Listed among signers of one or both of two statements:

"On August 21, 1949, the Continuations Committee of the Conference on Peaceful Alternatives to the Atlantic Pact issued an open letter calling for the defeat of President Truman's arms program. . . ."

"Under the sponsorship of the Committee for Peaceful Alternatives to the Atlantic Pact, a public statement to President Truman was released on December 14, 1949. It repeated the fraudulent peace propaganda being issued from Moscow."

Page 59: Sponsor of the Midcentury Conference for Peace.

Pages 124-5: Among "list of sponsors, by States, of Stockholm appeal (from folder, prominent Americans call for outlawing atomic warfare)" under Colorado.

Page 135: Included in list of initial sponsors on letterhead of American Peace Crusade dated February 1951.

Page 136: (Leaflet, "Let the People Speak for Peace," published by the American Peace Crusade) "Bring Our Boys Home From Korea, Make Peace With China Now."

House Report No. 1661, review of the Methodist Federation For Social Action, made House report March 27, 1952, originally released February 17, 1952.

Pages 7-8: "Methodist Minority Group Gives Reds Sounding Board for Their Party Line," by Frederick Woltman, World-Telegram staff writer:

"The prestige of the Methodist Church will be used in Kansas City, Mo., this weekend to furnish a national sounding board for Communists and fellow travelers to expound the gospel of the Communist line."

"The occasion is the annual conference of the Methodist Federation for Social Action, an unofficial but politically powerful adjunct of the Methodist Church which, for years, has

closely followed the Communist Party line on many issues.

"The convention's expert on American-Soviet relations is to be Dr. Jerome Davis, long an admirer of the Soviet system."

"In the June 1947 bulletin, under the title, 'The Acid Test—The Soviet Union,' Dr. Davis summed up his views thus: 'Is it not probable that the greatest event of the 20th century thus far is the Soviet revolution and all that it has meant to human welfare?' . . ."

"Accepting the official Soviet version, which holds all Stalin critics to be Fascists, he defended the firing squads and concentration camps in this grisly manner: 'Russia believes it is wiser to destroy the enemies of the people from within rather than wait until they foment war from without.'"

Page 9: "Minority Group in Methodist Church Lauds Red Policy," by Frederick Woltman, World-Telegram staff writer:

"The keynoter on American-Soviet relations was Jerome Davis, long an ardent Soviet apologist. He accused American capitalistic interest and newspapers of perpetuating falsehoods about the Soviet Union."

"Mr. Davis urged that America be the good Samaritan to Russia."

"The greatest moral and spiritual problem facing the American people," Mr. Davis told the delegates, "is not the struggle between communism and democracy; that is a spurious issue. It is the struggle between reaction, the old order, the control of property and an emerging new order pushing its way up through blood, tears, and strife."

Pages 53-55: "Methodism's Pink Fringe," by Stanley High, the Reader's Digest, February 1950:

"From an article by Dr. Jerome Davis: 'In the light of the record of the past 30 years, in the light of the actual facts, the Soviet Union certainly has a record as a force for peace the equal of that of the United States.'"

"Dr. Davis' book, Behind Soviet Power, is one of the cleverest, most all-out pro-Soviet books yet published in America. It was sent, free of charge, to all the 22,000 Methodist preachers in the United States by 2 prominent federation members. With the book went a letter, signed by these high officials, and written on the official stationery of the Methodist Board of Foreign Missions and Church Extension, recommending that the book be read."

References to work of Jerome Davis in Seeds of Destruction

Chapter 1, pages 19-20, footnote 41 of Seeds of Destruction: "It has been calculated that a worker producing 100 units of a given article in 1927 could turn out 120 units in 1932, and, continuing at the same rate of increase, would probably be producing at least 160 units by 1940." (From Capitalism and Its Culture, 1935, p. 58.)

Chapter 1, page 24, footnote 59 of Seeds of Destruction: "Will all these unemployed ever be absorbed? One authority has estimated that if production should again reach the 1929 peak, 7 million workers would still be left unemployed." (From *ibid.*, p. 39.)

Chapter 6, page 154, footnote 28 of Seeds of Destruction: "In 1929 the upper-income groups, \$5,000 and over, spent only about \$1,319,700,000 on food while the total amount expended on food by all classes was \$21,852,300,000, or 16 times as much. Out of total consumer expenditures amounting to some \$90 billion in 1929, the upper classes spent only about \$16 billion." (From *ibid.*, p. 184.)

Chapter 8, page 202, footnote 38 of Seeds of Destruction: "In the ground a ton of Pocahontas coal is worth about \$0.10. The miner who digs out the coal receives approximately \$0.50. In addition to the \$0.50 paid to the miner, the mine operator gets around \$3.50. Two dollars and sixty-four

cents goes to the railroad and \$3.36 to the retail coal yard, making a total of \$6 going to distributors." (From *ibid.*, pp. 154-155.)

Chapter 9, page 228, footnote 30 of *Seeds of Destruction*: "Most of these sums, while large enough, are relatively insignificant when compared to the amounts expended on advertising by such firms as General Motors. In 1928 this giant of the automobile industry spent approximately \$20 million on general advertising. During this same year, the American Tobacco Co. appropriated some \$12 million." (From *ibid.*, p. 158.)

Chapter 13, page 322, footnote 13 of *Seeds of Destruction*: "Under the present system, it is very possible that the export of credit will continue indefinitely because the investing of capital in foreign lands often appears to be a very profitable venture despite the fact that such has many times not been the case (a member of the British Parliament having estimated that during the 60 years prior to 1931 British investors had lost \$10,000 million through foreign loans)." (From *ibid.*, p. 143.)

Citations on R. Palme Dutt

Dies Committee Public Hearings (Vol. VII):

Page 4928: Testimony of Alexander Trachtenberg, listed as member of advisory council of the Book Union (of which Mr. Trachtenberg was a founder, p. 4927).

Hearings before the Committee on Un-American Activities, House of Representatives, 80th Congress, 1st session on H. R. 1884 and H. R. 2122, bills to curb or outlaw the Communist Party in the United States, July 21, 1947.

Testimony of Walter S. Steele regarding Communist Activities in the United States:

Page 32: "Mr. STEELE. . . . The largest of the Red publishing firms is New Century Publishers, Inc., 832 Broadway, New York. It was incorporated December 8, 1944. . . .

"The current catalog of New Century Publishers, Inc., lists some 320 publications for distribution.

"Among the authors of these publications are R. Palme Dutt."

Page 34: Listed as contributing editor of *New Masses*.

House Report No. 1920, report on the Communist Party of the United States as an advocate of overthrow of government by force and violence, May 11, 1948:

Pages 7-9: "New Century Publishers is an official Communist Party publishing house, which has published the works of William Z. Foster and Eugene Dennis, Communist Party, chairman and executive secretary, respectively, as well as the theoretical magazine of the party known as *Political Affairs* and the *Constitution of the Communist Party, U. S. A.* In its latest catalog of 1946, the following works by or about Marx, Engels, Lenin, and Stalin are offered for sale."

"Life and Teachings of V. I. Lenin, by R. Palme Dutt."

Communism in the Detroit area, part I, February 25, 26, 27, 28, and 29, 1952, testimony of Richard Franklin O'Hair, February 25, 1952:

Page 2721: "Mr. TAVENNER. Do you have any list with you of Communist Party literature which you acquired?"

"Mr. O'Hair. Yes.

"Mr. TAVENNER. Which you acquired during the course of your membership in the party?"

"Mr. O'Hair. I have.

"Mr. TAVENNER. I think it would be well at this time to read into the record what that literature consisted of.

"Mr. O'Hair (reading). . . . Dutt, R. Palme: Britain in the World Front."

Hearings before the Committee on Un-American Activities, House of Representatives, 83d Congress, 1st session, investigation

of Communist activities in the New York City area, part VIII, July 13 and 14, 1953:

Testimony of Manning Johnson, pages 2225-2226:

"Mr. KUNZIG. Did the Communists ever try to actually get into some of our Negro religious groups * * * ?

"Mr. JOHNSON. Yes, they did, and I wish to quote from the Communist International which was the theoretical organ of the world organization of Communists called the Communist International, which is now known as the Communist Information Bureau.

"This article was written by R. Palme Dutt.

"Mr. KUNZIG. What is the date and time?

"Mr. JOHNSON. May 5, 1935, published by the Workers Library Publishers, on page 503. I quote:

"An inexcusable blunder occurred in the course of building up the United Front actions in Harlem (Father Divine's religious followers). A comrade (see *Daily Worker*, April 9, 1935, article on Harlem by O. Johnson) in a most careless manner branded this preacher without concrete evidence as a racketeer, classifying him with gangster racketeers, ignoring a more tactful approach to this person who has under his influence thousands of sincere Negroes who are seeking a way out and who have demonstrated with us against war and fascism.

"Such a blunder drives a wedge between us and the masses and confuses our theoretical program because of bad practice. Before we can sufficiently enlighten his followers of the futility of religious ideology and of the correctness of our program and the need for a united struggle against worsening conditions, they are driven away from us. This is not convincing the masses. It is name calling. Through organized educational scientific antireligious propaganda we seek to rid the masses of their religious prejudices. We must carefully avoid any offense that will strengthen religious fanaticism (see the Communist, April 1935, Religion and Communism, by Earl Browder). These mistakes in the United Front tactic appeared in enlarged forms in other cases (Herndon, Lee Armwood, Camp Hill, and Tuscaloosa), where the struggle as far as the United Front is concerned assumed more of the character of a protest (letters and delegations) campaign from the North and mainly a legal battle in the South. No doubt the most difficult task in this work was to extend the United Front. The Communist workers have penetrated into new organizations, have brought new workers under our influence to accept revolutionary methods of struggle and in general have made inroads among the Negro masses that at times seriously threatened the reformist leadership of some organizations."

APPENDIX IX

Page 589: Advisory council member, Book Union, Inc.

Page 1350: Contributing editor, *New Masses* (January 4, 1944).

Page 1351: Listed among contributors, *New Masses Delivers* (promotional piece).

Page 1351: Listed among the contributors, *Who Makes New Masses America's Indispensable Weekly?* (promotional piece).

Page 1453: Contributing editor, *New Masses*, published by Weekly Masses Co., Inc., at 461 Fourth Avenue, New York, N. Y.

Page 1458: Contributor, *Sunday Worker*, published at 50 East 13th Street, New York, N. Y.

Page 1575: Publicized in *Social Work Today*, October 1937, page 29, *World Politics*, by R. Palme Dutt, British Communist.

References to work by R. Palme Dutt in *Seeds of Destruction*

Chapter 1, page 17, footnote 26 of *Seeds of Destruction*: "That the United States by no means isolated in this phenomenon

of rising production on one hand with a diminishing factory employment on the other is shown in the figures for Great Britain, 1923 to 1928, where production rose 7.6 percent and employment fell 5.6 percent." (From *Fascism and Social Revolution*, 1932, p. 38.)

Chapter 1, pages 23-24, footnote 57 of *Seeds of Destruction*: "That this phenomenon of an absolute decline in the number of workers employed occurring within a great prosperity era was not restricted to the United States can be seen from the figures for Great Britain, where the number of insured workers in employment fell 470,000 from 1923 to 1928, a decline of 5.6 percent." (From *ibid.*, p. 38.)

Citations on Mary L. Fledderus¹

Hearings before the Committee on Un-American Activities, House of Representatives, 80th Congress, 1st session, on H. R. 1884 and H. R. 2122, July 21, 1947 (vol. I):

Testimony of Walter S. Steele, pages 84-85: "A call was issued for the International Congress of Women of the World in 1945. Thus, a year after the conference held at the Hotel Commodore in New York (November 18, 1944), by the National Council of American-Soviet Friendship, the International Congress of Women convened by Communist forces in Paris (November 26 to December 1, 1945).

"Early in 1946, following the Paris congress and after the return of the American delegates, a continuing committee was set up here * * * members of the board were: * * * Mary L. Fledderus * * * Mary Van Kleeck."

Citations on Mary Van Kleeck¹

Dies Committee Public Hearings (Vol. I):

Page 344: A leader, the American Russian Institute.

Page 518: Signator, *Golden Book of American Friendship With the Soviet Union*.

Page 528: Member, board of directors, American Civil Liberties Union.

Pages 568-569: Committee member, American Friends of Spanish Democracy.

Page 570: Officer, Social Workers' Committee to Aid Spanish Democracy.

Pages 875-876: Sponsor, American Youth Congress.

Dies Committee Public Hearings (Vol. II):

Testimony of Herman Luhrs, pages 1655-1656: "I have spoken of the Contemporary Problems Club, and I will say that they were people who were citizens of Flint, and who I cannot say were Communists, but they were sympathetic toward this movement. I have a long list of names here of people who attended the meetings. One of the most outstanding speakers that came there under the auspices of the organization was Mary Van Kleeck. She spoke in room 217, YWCA, on April 24, 1937. Her subject was *Creative America*. She went on to present the matter, as she saw it at that time, and was very critical of the American Legion and the DAR. She was asked the question, 'What is the churches' position in regard to this new changing social order?' Mary Van Kleeck was very much embarrassed by the question, but she finally answered that 'The church of tomorrow will be one of anti-church Christianity.' She said that under the changing order, it would be antichurch. Whereupon, Miss Van Kleeck left the meeting, as she was scheduled to give a talk at the Pengelly Building, which is the headquarters of the UAWU in Flint."

Dies Committee Public Hearings (Vol. III):

Testimony of Ray E. Nimmo:

Pages 1993-1994: National chairman, Inter-Professional Association; member,

¹ Mary L. Fledderus and Mary Van Kleeck are coauthors of *On Economic Planning* referred to in *Seeds of Destruction*.

board of directors, American Civil Liberties Union; assistant director, Industrial Relations Institute; director of industrial studies, Russell Sage Foundation; sponsor, National Unemployment Congress held in Washington, D. C., January 5, 6, and 7, 1935. "Mary Van Kleeck, while disclaiming membership in the Communist Party is a member of a closed unit of the Communist Party in New York, and the International Industrial Relations Institute, of which she is assistant director, is reported to be a Communist sponsored and controlled organization."

Page 1944: Member, editorial board, Book Union, Inc.; member, National Federation of Federal Employees; member, Women's Trade Union League; member, National Consumers' League; member, American Association for Labor Legislation; spoke in favor of repeal of California Criminal Syndicalism Act before board of supervisors of the city and county of San Francisco, May 13, 1935; circularized Congress urging recognition of the Soviet Union.

Dies Committee Public Hearings (Vol. XVI):

Page 10300: Member, National Citizens' Political Action Committee.

Page 10302: Member of six organizations listed as subversive and Communist by the Attorney General.

Page 10304: Member, American Council on Soviet Relations.

Page 10305: Member, Citizens Committee to Free Earl Browder.

Page 10306: New Masses.

Page 10306: Washington Committee for Democratic Action.

Page 10349: Connected with 29 Communist Front Organizations.

APPENDIX IX

Page 323: Affiliated with the American Committee for Democracy and Intellectual Freedom, a Communist-front organization operating among college teachers and professors.

Page 333: Signator, petition sponsored by American Committee for Democracy and Intellectual Freedom To Discontinue the Dies Committee.

Page 366: Chairman of research committee, American Council on Soviet Relations.

Page 380: Committee member, medical bureau, American Friends of Spanish Democracy.

Page 381: Committee member, letterhead: American Friends of Spanish Democracy, dated February 21, 1938.

Page 423: Speaker, title: Interprofessional Association for Social Insurance, "protest meeting under the auspices of the American League Against War and Fascism and the American Civil Liberties Union against gag legislation pending before Congress and forty-odd State legislatures." (Date of meeting: Wednesday, April 3.)

Pages 534-535: Member, the national advisory committee of the American Youth Congress.

Page 669: Listed under social workers, Coordinating Committee To Lift the Embargo.

Page 758: Endorser, National Committee Friends of the Soviet Union (from Soviet Russia Today, December 1933, p. 17).

Page 922: On national executive committee. Participated as speaker in a symposium for members of all professions on economic insecurity under the auspices of Social Work Forum, Federation of Social Service Employees, and Interprofessional Association for Social Insurance.

Page 1006: Sponsor, League of Women Shoppers.

Page 1184: Chairman, Interprofessional Association for Social Insurance (letterhead of September 12, 1934).

Pages 1185-1187: Signator, Call to a National Congress for Unemployment and So-

cial Insurance, January 5, 6, 7, 1935, Washington, D. C.

Pages 1201-1202: "Signatures to the Open Letter are pouring into the office of the National Council of American-Soviet Friendship, 232 Madison Avenue, New York City, from people in every section of the country, distinguished in many fields. Among the 700 signatures received as we go to press are: Mary Van Kleeck." (Soviet Russia Today, June 143, p. 21.)

Pages 1202-1203: Sponsor of congress, National Council of American-Soviet Friendship, Inc.

Page 1266: Vice Chairman, National Joint Action Committee for Genuine Social Insurance.

Pages 1335-1338: Sponsor, National War-time Conference of the Professions, the Sciences, the Arts, the White Collar Fields, held May 8 and 9, 1943.

Page 1368: Speaker, Meeting on Social Insurance called by the N. Y. Professional Workers Conference on Social Insurance.

Page 1374: Sponsor, Nonpartisan Committee for the Re-election of Congressman Vito Marcantonio.

Pages 1377-1379: Signator, An Open Letter to American Liberals. (Soviet Russia Today, March 1937, pp. 14-15).

Pages 1381-1384: Signator, "To All Active Supporters of Democracy and Peace. The text of an open letter calling for greater unity of the anti-Fascist forces and strengthening of the front against aggression through closer cooperation with the Soviet Union, released on August 14 by 400 leading Americans." (Soviet Russia Today, September 1939, pp. 24, 25, 28.)

Page 1456: Cooperator-sponsor, chairman, Social Work Today (Issue of February 1939).

Page 1472: Sponsor, Political Prisoners Ball Fund Committee (letterhead dated January 18, 1935).

Page 1571: Speaker, Anti-Fascist Congress of Women in Moscow, 1941.

Page 1577: Member, executive committee, Social Workers Committee to Aid Spanish Democracy (letterhead dated February 8, 1939).

Pages 1602-1603: Contributor to Soviet Russia Today in 1937-June, page 24; November, page 17.

Page 1603: Contributor to Soviet Russia Today in 1938-November, page 18.

Page 1604: Sponsor-Dinner celebrating 25th anniversary of the Red Army under auspices of "Soviet Russia Today."

Page 1605: Committee Sponsor—"A. A. Trotsky, Soviet ambassador to the United States, will outline his government's proposals for solving the present international crisis and discuss the connection between the recent trial of the Trotskyist-Bukharinist conspirators and the Fascist war drive at a meeting in Mecca Temple auditorium, 55th Street between 6th and 7th Avenues, Thursday night." (Daily Worker, March 22, 1938, p. 2.)

Pages 1701-1702: Listed, An open letter to the Government and people of the United States—"Eminent Americans Have Urged That the Spanish Embargo Be Lifted." (New York Times, January 31, 1939.)

Page 1772: Sponsor, the American Pushkin Committee.

Page 1787: Cooperator, Social Work Today, 1940-\$30.

Page 1793: Cooperator, Social Work Today, 1941.

References to work of Mary L. Fledderus and Mary Van Kleeck in *Seeds of Destruction*

Chapter 1, page 29, footnote 70 of *Seeds of Destruction*: "In mining, the productivity of anthracite miners rose 4.8 percent from 1929 to 1931, in bituminous coal mining, 1919 to 1929, the productivity per miner rose from 1,150 to 1,450 tons, a 26-percent increase for that period, going up to a 30.4-percent increase by 1931. In copper

mining for the same period productivity per man-hour increased 1 whole ton, while productivity in iron ore mining soared to a 300-ton per day rise, and in the mining of lead and zinc productivity per man-hour went up to 10.9 tons." (From *On Economic Planning*, 1935, p. 225.)

Chapter 1, page 30, footnote 71 of *Seeds of Destruction*: "The textile finishing process has been speeded up from 75 and 85 yards a minute to as much as 300 yards per minute in modern plants. A broaching machine, in the machine-tool industry, finished by itself 1,600 automobile parts in the same time that four older machines working consecutively would turn out only 60 articles." (From *ibid.*, p. 226.)

Chapter 4, page 92, footnote 11 of *Seeds of Destruction*: "Purchasing agents for large firms are continually if not constantly confronted with this phenomenon of fixed prices. One purchasing agent of a large eastern railroad stated that in 1929 there were approximately 2,000 fixed-price items on his purchase list and that whenever bids were sought on any of these items, the quotations made by the competing bidders were identical." (From *ibid.*, p. 183.)

Citations on Paul F. Gemmill

Committee on Un-American Activities, hearings and reports, 83d Congress, 1st session, July 30 and 31, 1953, hearings regarding Jack R. McMichael:

Opposite page 2736: Signator, Free Sam Darcy, Educators and Writers Urge Olson. (From *Daily Worker*, December 19, 1940.)

Opposite page 2783: Listed among signatories of statement, text of statement in *Defense of Communist Party*. (From *Daily Worker*, March 5, 1941.)

APPENDIX IX

Pages 331-332: "Among the signatories to the petition sponsored by American Committee for Democracy and Intellectual Freedom To Discontinue the Dies Committee."

Pages 1205-1206: Signator, Call for a National Emergency Conference to be held at the Hotel Raleigh, Washington, D. C., May 13 and 14, 1939.

Reference to work of Paul F. Gemmill in *Seeds of Destruction*

Chapter 2, pages 52-53, footnote 25 of *Seeds of Destruction*: (From *Contemporary Economic Problems*, 1932, p. 1.)

Citations on Harry Laidler

Dies Committee Public Hearings (Vol. I):

Testimony of Walter S. Steele:

Pages 565-566: Listed as an endorser of Brookwood College: Harry W. Laidler, League for Industrial Democracy.

Pages 678-679: Member of national committee of Workers' Defense League.

Page 681: "Harry Laidler, a well-known Socialist Party politician, was a candidate for borough president in New York City in 1932, and ran for office on the Socialist Party ticket on several occasions; member of the American Committee for the Defense of Leon Trotsky; signer of Friends of Soviet Union Golden Book; board of editors of *New Frontier*; sponsoring committee of the American Student Union dinner in 1937; sponsor of Brookwood College fund appeal in 1936; delegate to Socialist Party convention in 1936; arrangements committee for United States Congress Against War in 1932; Federal Council of Churches; contributor to *Socialist Planning* and *A Socialist Program*."

Page 683: The *Socialist Review*, organ of the Intercollegiate Socialist Society, edited by Harry Laidler.

Page 684: "In 1921 the Intercollegiate Socialist Society was renamed the League for Industrial Democracy. . . .

"The new officers of the organization included . . . executive directors, Harry Laidler and Norman Thomas. . . .

"Roads to Freedom, a syllabus for discussion groups, issued by Harry Laidler for the League for Industrial Democracy, is possibly the most revolutionary of all their productions."

Page 685: Harry Laidler spoke on America in a state of revolution, LID national student conference at the Union Theological Seminary, New York City, December 1931.

Page 689: "The pamphlets listed for use in 1929 included subjects dealing with public ownership, Government control of certain industries. * * * These pamphlets were prepared by such individuals as * * * Harry W. Laidler."

Dies Committee Public Hearings (Vol. X): Testimony of Harry F. Ward, page 6237: Member, arrangements committee for the United States Congress against war.

Dies Committee Public Hearings (Vol. XIV):

Page 8751: "Use These Facts (research bulletin of the Communist Party, 12th A. D., 141 East 29th Street, New York City, vol. 2, No. 8, February 8, 1937), final results of the election campaign (from the annual report of the board of elections, 1936)," shows vote for governor: Laidler, 47,051 in New York City * * * 728 in 12th A. D.

References to work of Harry Laidler in *Seeds of Destruction*

Chapter 1, page 20, footnote 42 of *Seeds of Destruction*: "Between 1899 and 1914, one worker became employed in manufacturing for every seven on the payroll, while one man departed from the industry for every 48 on the job." (From *Socializing Our Democracy*, 1935, p. 70.)

Chapter 1, page 21, footnote 45 of *Seeds of Destruction*: "In the postwar period, one man entered the manufacturing industry for every 22 already employed, while one left for every 20 men employed, separations thus outnumbering additions." (From *Ibid.*)

Chapter 1, page 23, footnote 51 of *Seeds of Destruction*: "From 1899 to 1914 the annual growth in the volume of employment was only 1 percent." (From *Ibid.*)

Chapter 10, pages 251-252, footnote 26 of *Seeds of Destruction*: "Starting with natural resources, we find in anthracite coal that nearly four-fifths of the recoverable tonnage is controlled by eight companies closely connected with the railroads and that one-half of the total annual output is produced by four companies. In the bituminous coal industry, which is less centralized, some 30 operators produce about one-third of all coal reserves. From one-half to three-fourths of our iron ore reserves are controlled by one corporation, United States Steel. Four companies in the copper industry control about one-half of the copper reserves. The International Nickel Co. owns more than 90 percent of the world's known nickel resources while the Aluminum Company of America possesses practically all the domestic bauxite deposits—giving it a complete monopoly in the aluminum field. The world's sulfur supply is controlled by only two companies. In the oil industry about 35 percent of total production is turned out by only five corporations, including two members of the Standard Oil. Less than half a dozen great firms dominate the production of lead and zinc." (From *Concentration of Control in American Industry*, 1931, p. 435.)

Chapter 10, page 252, footnote 27 of *Seeds of Destruction*: "In the field of public utilities the situation is somewhat the same. Four groups control over 50 percent of all electricity produced in this country; of these groups, the Morgan-Drexel-Bonbright-controlled United Corp. is rapidly becoming the Nation's most powerful electrical interest." (From *Ibid.*, p. 436.)

Chapter 10, pages 252-254, footnote 29 of *Seeds of Destruction*: "Because of the fact

that manufacturing, as a field of study, is so much more heterogeneous than either natural resources or public utilities, it is not to be expected that centralization within manufacturing reaches the same degree as in these other two fields. Nevertheless concentration therein has been progressing very rapidly. Today in the automobile industry General Motors and Ford sell about 75 percent of all motor cars. Two packers handle over 50 percent of all meat entering interstate commerce. The American Sugar Refining Co. and its affiliates sell most of the Nation's sugar. About a fourth of all bread sold is supplied by four giant corporations, while the National Biscuit Co. has a virtual stranglehold on the biscuit trade. The National Dairy Products Co. and Borden, as we have seen, are becoming the rulers in milk, butter, and egg distribution in the same way that General Foods Corp. is dominating the cereal field. Three corporations control over 70 percent of our cigarette trade. The newspaper realm is dominated by the Hearst and Scripps-Howard chains in the publication of news, by the Associated Press, the United Press, and the International News Service in the gathering of news, and by the International Paper & Power Co. in the supplying of newsprint. Like many other industries, successful newspaper publishing now requires such large capital outlays that it is becoming increasingly difficult for any organization but a chain to start up a new paper. Getting into the durable goods, we find that nine closely linked companies possess 80 percent of the Nation's steel capacity; United States Steel alone having 40 percent. General Electric and Westinghouse manufacture more than 50 percent of all equipment needed by the electrical industry, and the Western Electric has a near monopoly in supplying the wants of the telephone industry. All the locomotives which are produced in this country are manufactured by one of three companies, the American Locomotive, the Baldwin Locomotive, or the Bethlehem Steel, while most passenger and freight cars are turned out by one of two large firms. Over half of the country's agricultural machinery is produced by the International Harvester Co., and more than 80 percent of all shoe machinery is made by one corporation. Nearly all office and clerical equipment is produced by two companies, International Business Machine Corp. and Remington-Rand. The Singer Sewing Machine Co. is supreme in its field, as are the Diamond and Swedish match combines in theirs. Considering the amount of furniture which is annually consumed, the number of large furniture producers—most of whom are centrally located in one city, Grand Rapids, Mich.—is surprisingly small, numbering less than 20. The Hoover Co. stands well above all competitors in the vacuum cleaner business. The vast bulk of the rubber business is handled by four great corporations. In the production of shoes the International Shoe Co. and Endicott-Johnson are extending their control over a larger and larger segment of the industry. Chemical manufacture is being preempted more and more by three companies, the du Pont, the American Chemical and Dye, and the Union Carbide. Even the field of entertainment is now a mass-production industry, the radio monopolized by the National Broadcasting Co. and the Columbia Broadcasting System, the movie industry by Radio-Keith-Orpheum Corp., the General Theatres Equipment, and the Paramount Publix Corp., and the legitimate theater by the Shubert Theatres Corp." (From *Concentration of Control in American Industry*, 1931, pp. 436-440.)

Chapter 10, page 254, footnote 30 of *Seeds of Destruction*: "In the field of marketing, which is the so-called stronghold of competition, centralization is daily becoming more apparent. Already there has developed one giant marketing firm which does a business

of over \$1 billion a year." (From *Ibid.*, p. 440.)

Chapter 10, pages 255-256, footnote 34 of *Seeds of Destruction*: "The occurrence of concentration is probably more important in the realm of finance than anywhere else, for banks themselves are instruments of concentration, and, when they are brought together, it means that all the assets which they control are pooled. By 1934 this concentration among banks had proceeded so far that 1 percent of our banks held resources almost equal to the other 99 percent. Twenty-four New York banks, less than one-tenth of 1 percent of all banks, had combined resources in 1930 of \$10.8 billion, which amounted to 15 percent of the total resources held by the Nation's banks. And less than 1 percent of our banks, 250 of them, possessing resources totaling \$33.4 billion, held 46 percent of our total bank resources, the combined resources of all banks put together amounting to \$72 billion." (From *Concentration of Control in American Industry*, 1931, p. 338.)

Chapter 10, page 256, footnote 35 of *Seeds of Destruction*: "What is equally, if not more important, is the fact that the number of banks has declined since 1921 while their aggregate resources have increased. In 1921 there were, according to the Comptroller of the Currency, 30,812 banks. By 1929 the number had fallen to 25,330, a decline of 5,482 in 8 years. Two years later, in 1931, the figure was around 23,000—2,000 more banks having 'disappeared.' Yet, during the period of the greatest decline, 1921-29, the total resources in banks increased from \$49,671 million to \$72,173 million. This means, of course, that the average resources per bank increased from about \$1,611,000 in 1921 to almost \$2,850,000 in 1929, an advance of nearly 80 percent, or 10 percent a year." (From *Ibid.*, p. 332.)

Chapter 10, page 256, footnote 37 of *Seeds of Destruction*: "A large part of this financial concentration has been brought about by the institution of branch banking. There were only 60 branch banks in 1900. Ten years later there were 329. In 1920 there were 1,052 and by June 1929, the number had risen to 3,440, all controlled by 818 State and National banks. In 1929, 16 banks alone had more than 30 branches and 41 controlled between 11 and 30 branches each." (From *Ibid.*, p. 344.)

Chapter 10, page 257, footnote 38 of *Seeds of Destruction*: "Another widely used mechanism for bringing together scattered financial resources has been the investment trust. Until 1925, only about 30 had been organized. But suddenly they became very popular, and 4 years later, in 1929, there were over 200, possessing paid-in capital of between one and one and a half billion and holding stocks and bonds whose value was between one and one and a half percent of the total then listed on the New York Stock Exchange." (From *Ibid.*, p. 348.)

Chapter 10, page 257, footnote 39 of *Seeds of Destruction*: "The entire insurance business is divided into life, fire, accident, and fidelity insurance. In each of these branches are hundreds of companies, dominated, however, by a handful of all-powerful leaders who, in each branch, conduct a large proportion, if not a majority of the business. There are some 20 principal American life insurance companies. In 1929 the new business which they secured—and which was paid for during the year—amounted to over \$21 billion. This brought the total business they had in force at the end of that year up to \$101,714 million. And their total admitted assets were \$17,480 million. Indicative of the centralizing function they perform in purchasing and bringing under their control various types of properties, is the fact that life insurance companies doing business in New York State alone invested some \$5.5 billion during 1929."

(From Concentration of Control in American Industry, 1931, p. 356.)

Chapter 10, pages 269 and 262, footnote 40 of Seeds of Destruction: "Any study of concentration is incomplete unless reasons are presented why such a trend has taken place. The heterogeneity of these reasons makes any all-inclusive observation impossible—except to say that each of them is motivated by the desire for greater profits, prestige and power. A condensation of the reasons runs somewhat as follows:

"(a) Possibility through centralization of bringing about a restriction of production and the fixing of prices at a comparatively high level, often involving division of territory, joint selling, pooling of profits, division of output, selling through regular channels, clearinghouse setups, and similar practices.

"(b) Possibility through mass production methods—realized through concentration—of lowering costs and increasing sales.

"(c) Better financing.

"(d) Generous promoters' commissions.

"(e) Increased profits through stock manipulations.

"(f) Pooling of patents and licenses.

"(g) More extensive research.

"(h) Enlarged political influence in securing tariff and other favors or in fighting effective regulation.

"(i) Greater productive and administrative economies through higher grade of management, more efficient equipment, more complete utilization of plants, more careful adjustment of supply to demand, better financial backing, larger volume of capital for experimental purposes, fewer high salaried officials, better cost accounting, reduced administrative and labor forces, standardization of equipment and supplies, cheaper raw materials bought in large quantity from nearest source of supply, better bargaining power with labor, pooling of best experience in consolidated plants, specialized manufacture in various units of the enterprise, utilization of byproducts, better training of new employees, etc." (From *ibid.*, pp. 446-447.)

Citations on Harold Loeb

APPENDIX IX

Pages 658-659: Sponsor of Consumers National Federation's conference on the high cost of living.

Page 664: Sponsor, Consumers Union.

References to work of Harold Loeb in Seeds of Destruction

Chapter 7, page 170, footnote 23 of Seeds of Destruction: "Final indication of the great disparity in the growth between profits and wages are the figures showing that from 1910 to 1930 per capita income throughout the country, measured in terms of 1929 dollars, rose but \$39." (From *The Chart of Plenty*, 1935, p. 159.)

Chapter 12, page 304, footnote 24 of Seeds of Destruction: "The engineer, Harold Loeb, says, 'Since profit-making projects of a great though dubious nature which might tempt the more credulous of the property owning individuals, have become difficult if not impossible to initiate owing to the extent of our knowledge of the exploitable surface of the earth, new industries, and great credit expansion are features of the past.'" (From *ibid.*, p. 148.)

Citations on J. B. Matthews

Mr. J. B. Matthews is an admitted former Communist who has rendered exceptional service as chief investigator for the Dies committee and executive director of the Senate Permanent Subcommittee on Investigations.

The references in *Seeds of Destruction* to the works of J. B. Matthews are from a book written by Mr. Matthews jointly with Mr. Shallcross in 1934. However, in 1938 Mr. Matthews first testified before the Dies committee in regard to his activities and affilia-

tions with Communist-front organizations. His testimony and corroborating evidence may be found as follows:

Dies committee, public hearings, 1938, volume 1, pages 868-928; 1938, volume III, pages 2163-2201, 2203-2206; 1938, volume IV, pages 3020-3024; 1944, volume XVII, pages 10277-10309, 10331-10350.

References to work of J. B. Matthews in Seeds of Destruction

Chapter 6, pages 154-155, footnote 29, of Seeds of Destruction: "During that year 'he 513 persons having incomes of over \$1 million spent only \$87 million while they invested \$1,045,000,000, 12 times as much as their expenditures. Seventy-eight percent of the effective demand, so it has been estimated, came from income recipients of \$5,000 a year or less." (From *Partners in Plunder*, Matthews and Shallcross, 1934, pp. 194-195.)

Chapter 7, page 168, footnote 19 of Seeds of Destruction: "Another estimate places the growth in total combined dividend and interest payments from 1923 to 1929 as 111.8 percent with real wages rising but 7.4 percent, a tremendous disparity" (*ibid.*, p. 193).

Chapter 8, page 199, footnote 32 of Seeds of Destruction: "Speaking to the consumer at large, Mr. Alec M. Patterson, director of the Bakers' Guild of Texas, pridefully posed the question, 'Do you know that a bushel of grain passes through from 10 to 14 trade arteries before it reaches your table as a pure, wholesome, healthful bread?' (From *ibid.*, p. 243.)

Chapter 8, pages 200-201, footnote 33 of Seeds of Destruction: "The enormous price spread which exists in the field of food specialties is well known. In 1932, for example, a package of cream of wheat selling on the market for 22 cents, contained wheat costing about 1½ cents. Kellogg's corn flakes selling for 10 cents a package, held about two-fifths of a cent of corn. Puffed rice, selling for 60 cents a pound, contained rice costing about 3 cents a pound. The value of the actual wheat in puffed wheat, selling at 68 cents a pound, was around 2½ cents a pound. Wheatena, selling at 22 cents a package, possessed about 1 cent's worth of wheat." (From *ibid.*, p. 254.)

Chapter 8, page 201, footnote 34 of Seeds of Destruction: "Milk is another well-known example in which an enormous price spread exists. Years ago, this spread was due largely to expenses borne by multitudinous rival companies all trying to serve the consumer. For example, the Rochester milk survey in 1912 discovered that total miles traveled per day by competing milk wagons amounted to 447 miles. Only 39.1 miles were actually required to serve the city. But as the years have passed, that condition of competitive anarchy has gradually disappeared as the milk or dairy products industry has felt the impact of monopolization, especially by two giant companies, the National Dairy Products Corp. and the Borden Co., which in the depressed year of 1932 made profits of 79 percent and 18 percent, respectively, on working capital. Yet, under monopolistic influences, as the distribution of milk has been somewhat simplified, the retail price to the consumer has not been materially lowered, and the proportion of the retail price received by the farmer has steadily declined. Over a period of years, the price which farmers around Boston received for 34 percent cream declined slightly but the distributors' margin rose 3.7 cents per half pint. In Detroit, the price received by the farmers for this grade cream fell sharply while the distributors' margin rose 1.8 cents. In Minneapolis and St. Paul the distributors' spread on cream rose five times as much as the price received by the farmer." (From *ibid.*, p. 247.)

Chapter 8, page 201, footnote 36, of Seeds of Destruction: "In regard to tobacco, the

situation is somewhat similar. The processors of the commodity—few in number—during the year 1932 made a combined profit, paid out on stock ownership alone, of \$41 million, which was more than the total sum received in that year by the 400,000 families engaged in growing tobacco. (From *Partners in Plunder*, Matthews and Shallcross, 1934, p. 257.)

Chapter 8, page 204, footnote 40 of Seeds of Destruction: "This price spread on bread has been growing. In June 1913, the price to consumers per pound loaf of bread was 5.6 cents, of which the processor and distributor received 4.2 cents. In May 1933, the price to consumers had risen to 6.5 cents per pound loaf. But the share of this amount going to processors and distributors had risen even faster than bread's rental price, being 5.5 cents in 1929." (From *ibid.*, p. 254.)

Chapter 9, page 227, footnote 28 of Seeds of Destruction: "When the word 'advertising' is spoken, cigarette manufacturers probably come sooner to the mind than any other of the great advertisers. In 1934, the 'big four' in cigarettes, Camels, Chesterfields, Old Golds, and Lucky Strikes spent among themselves approximately \$40 million." (From *ibid.*, p. 257.)

Citations on Lewis Mumford (not to be confused with L. Quincy Mumford, the eminent and distinguished Librarian of Congress)

Dies Committee Public Hearings (Vol. I):

Testimony of Walter S. Steele:

Page 530: Members of Mary Ware Dennett Defense Committee, officers of the American Civil Liberties Union, 1937.

Page 561: Leader, John Reed Club.

Page 562: Member of national council, League of American Writers.

Page 568: Member of the board—American Society for Technical Aid to Spanish Democracy.

Pages 568-569: Committee member—American Friends of Spanish Democracy.

Pages 687-688: "Addressing 'the forum of revolution' held at Barnard College, December 27, 28, 29, attended by the intercollegiate student council of the League for Industrial Democracy, Norman Thomas, well-known radical, discussed plans for the revolution which they feel is bound to come, and envisioned a world built of, by, and for the proletariat. Delegates from 29 colleges and universities were in attendance. 'Lewis Mumford, author, Paul Blanshard, and others spoke * * *'"

Dies Committee Public Hearings (Vol. III):

Testimony of Ralph De Sola, page 2409:

"The CHAIRMAN. I notice they [League for Peace and Democracy or the International Labor Defense] had a meeting last night at which Bruce Bliven and Lewis Mumford were scheduled to meet in joint debate. But they agreed in practically everything. And at the end of the news item it says: 'Asked from the audience how this Nation might cope with the threat of communism, Mumford said the question was too large for consideration at the moment.'"

Dies Committee Public Hearings (Vol. VII):

Testimony of Alexander Trachtenberg, secretary and treasurer, International Publishers, page 4928: Member of advisory committee of the Book Union.

Hearings before the Committee on Un-American Activities, House of Representatives, 80th Congress, 1st session on H. R. 1884 and H. R. 2122:

Testimony of Walter S. Steele regarding Communist activities in the United States, July 21, 1947:

Page 136: Signer of petition agitating for the freedom of Puerto Rico which was circulated by the Council for Pan-American Democracy.

APPENDIX IX

Page 319: Committee member, American Committee for Anti-Nazi German Seamen (letterhead December 8, 1938).

Page 320: Same as above (letterhead, January 6, 1939).

Page 322: Sponsor, American Committee for Anti-Nazi Literature (letterhead, March 24, 1939).

Pages 331-332: Signator, petition sponsored by American Committee for Democracy and Intellectual Freedom To Discontinue the Dies Committee.

Page 392: Signator, American League for Peace and Democracy, statement for quarantining the aggressor published in New Masses, March 15, 1938, page 19.

Pages 546-547: Endorser, American Youth Act.

Page 589: Advisory council member, Book Union, Inc.

Pages 666-668: Affiliated under writers list, Coordinating Committee to Lift the Embargo.

Pages 769-770: "Leading Liberals Hail Isaacs' Stand on Gerson Choice", Daily Worker, March 4, 1938, printed list of those signing letter released through American Civil Liberties Union.

Pages 963-965: Lawyers Committee on American Relations with Spain, Conference to lift the embargo, Washington, D. C., November 19-20, 1938; either spoke at the banquet or delivered papers to the conference.

Pages 1074-1075: Signator, call for an American Artists' Congress. (From Art Front, November 1935, p. 6.)

Pages 1176-1177: National Committee for the Defense of Political Prisoners.

Page 1179: "News You Don't Get", issued by the National Committee for People's Rights * * * formerly National Committee for the Defense of Political Prisoners, "Four Lincoln Brigade Vets Released from Ellis Island."

Pages 1339-1340: Signator, for a National Writers' Congress—A manifesto and a call (from New Masses, May 4, 1937, p. 25.)

Page 1472: Sponsor, Political Prisoners Bail Fund Committee.

Pages 1473-1474: Signator, protest cable to Brazil dictator.

Pages 1701-1703: An open letter to the Government and people of the United States, "These eminent Americans have urged that the Spanish embargo be lifted."

Summary from the Internal Security Subcommittee of the Senate Judiciary Committee.

Signer, letter urging Senators to block the Butler anti-Communist bill. (Daily Worker, December 23, 1953, p. 3.)

Signer, call for amnesty for Smith Act prisoners for a repeal of the law. (September 17, 1956, issue of New Republic, according to Daily Worker of September 21, 1956, p. 3.)

Signer, open letter to President urging support of the Lehman bill as a substitute for the McCarran-Walter anti-Communist Act. (Daily Worker, November 3, 1958, p. 8.)

Signer, plea to President Eisenhower for Christmas amnesty for Smith Act prisoners. (Daily Worker, December 21, 1955, p. 1; Worker, December 25, 1955, p. 2.)

Signer, statement urging United States Government to cancel H-bomb tests. (Daily Worker, December 2, 1957, p. 1.)

Signer, letter to President Eisenhower urging new trial or pardon for Morton Sobell, atomic spy. (Daily Worker, May 11, 1956, p. 8.)

Writer, letter to New York Times re the H-bomb. (Daily Worker, April 9, 1954, p. 2.)

Sponsor, National Committee to Repeal the McCarran Act (1953 letterhead).

Member, National Committee to Aid Striking Miners Fighting Starvation, 1932.

Reference to work of Lewis Mumford in Seeds of Destruction

Chapter 12, pages 297-298, footnote 15 of Seeds of Destruction: "These are merely a few of the many examples which can be found showing the long backgrounds and predecessors of each modern development we think of as brandnew. Inventions of some sort are, of course, being made nearly every day. But how many can be regarded as important? Between 1900 and 1933 only 32 really important developments which could be called inventions or improved processes or significant establishments occurred; they are high-speed tool steel, Nernst lamp, quantum theory, the establishment by the United States of the National Bureau of Standards, the improvement of the Caterpillar tread, radial-type airplane engine, man-lifting airplane, electric fixation of nitrogen, the arc process of nitrogen fixation, radio telephone, the establishment of the Deutsches Museum, oil-burning steamer, tantalum lamp, Fleury tube, Moore tube light, rotary mercury pump, the cyanide process for nitrogen fixation, synthetic resins, Audion, automatic bottle machine, tungsten lamp, television photograph, the establishment of the Technisches Museum für Industrie und Gewerbe, Duralumin, gyrocompass, synthetic ammonia process for nitrogen fixation, vitamins, tungsten filament light, radio broadcasting, perfected color-organ, radio television, and the aerodynamic motor car." (From Technics and Civilization, 1933, pp. 445-446.)

Citations on Robert Nathan

Robert Nathan is a past chairman of the ADA and former chairman of the Planning Committee of the War Production Board. Mr. Nathan had as one of his business associates Lauchlin Currie, former assistant to President Roosevelt, who was retained by the Government of Colombia on a contract fee basis of \$150,000 per annum. Mr. Currie was linked to an underground Communist espionage apparatus operating within the Federal Government, during the testimony of former Communist courier Elizabeth Bentley, before committees of the United States Congress. To date the charge has been made, and Mr. Currie has denied it emphatically. The matter has never been satisfactorily explained.

A large portion of the business handled by Mr. Nathan's firm is conducted on a fee basis with foreign principals. The files of the Foreign Agents Registration Division of the Department of Justice show that since 1946 the firm of Robert Nathan Associates entered into business relations with several foreign principals. These files also show that in the approximate 5-year period, beginning October 10, 1946, and ending October 8, 1951, the Nathan firm received a total of \$387,006.49 from foreign principals for services rendered.¹

APPENDIX IX

Pages 361-362: Sponsor, "Lillian Hellman and Ernest Hemingway and the committee of sponsors request the pleasure of your company at a dinner-forum on Europe Today"; auspices, American Committee To Save Refugees Exiled Writers Committee of League of American Writers, United American Spanish Aid Committee.

Pages 575-577: Sponsor in literature group, Artists' Front To Win the War, Orson Wells presiding.

References to work of Robert Nathan in Seeds of Destruction

Chapter 4, page 86, footnote 2 of Seeds of Destruction: "The average annual rate of increase of money-labor income has hence

¹ See registration No. 352 on file in the Foreign Agents Division, Department of Justice.

been diminishing as the years have passed until in the boom period 1923-29, the average annual rate of change was much less than during the preceding years, 1914-23, and smaller even than in the early years of 1904-14. Of course, during the depression, labor income's average annual rate of change assumed a negative character, not merely diminishing as compared with previous periods, but declining in absolute figures, the total compensation of employees, including work-relief wages, decreasing by an average annual rate of 12.8 percent between 1929 and 1933." (From National Income in the United States, 1919-35, 1936, United States Department of Commerce, p. 43.)

Chapter 6, pages 142-143, footnotes 7 and 8 of Seeds of Destruction: "We do have figures, however, for some of the segments which constitute the group rendering luxurious goods and services. In 1929 there were, for example, 1,428,810 persons engaged in the professions. These professional workers received an average per capita income that year of \$3,917, which meant that some \$5,565 million went into the hands of persons engaged in professions. It is well known that the income of many professional workers was well above this figure of almost \$4,000. And the higher their income, the more apt they themselves would be to spend large sums on luxurious goods or services rendered or produced by one or a small number of persons. Somewhat the same situation was true of persons engaged in recreation and amusement. In 1929 there were only 232,589 people so occupied." (From *Ibid.*, pp. 205 and 207.)

Chapter 14, page 327, footnote 3, of Seeds of Destruction: "Another exclusion from these figures is that which is known as financial debt. We realize, of course, that \$84.5 billion is a very great deal of money; in fact, for 1930 it was decidedly larger than the national income, which was only \$67,917,000,000." (From National Income in the United States, 1929-35, 1936, U. S. Department of Commerce, p. 22.)

Chapter 14, page 328, footnote 6, of Seeds of Destruction: "If we were to distribute this long-term debt evenly among the 122,775,046 persons who constituted our population in 1930, the per capita debt would amount to \$1,127, a figure which would be only \$300 less than the per capita income, \$1,427, of employees for that year." (From *Ibid.*, p. 44.)

Chapter 14, page 335, footnote 17, of Seeds of Destruction: "The increase from two to almost eight billion dollars in the short space of 20 years is significant in itself, as is the fact that debt service actually increased during the worst years of the depression. But even more important is the fact that our economy was paying out in the form of interest during 1933—financial debts but not stocks being included in these figures—some 19 percent of our total national income." (From *Ibid.*, p. 22.)

Citations on Dewey H. Palmer

Dies committee appendixes, volume 2, part 5, 1941, page 1661: Listed as technical supervisor, letterhead of Consumers Union of United States, Inc., September 28, 1939.

Hearings regarding Communist espionage in the United States Government, hearings before the Committee on Un-American Activities, House of Representatives, 80th Congress, 2d session, July, August, September, 1948:

Testimony of Hon. Fred E. Busbey, August 5, 1948, page 626: Palmer identified as one of at least 50 employed by Leon Henderson, Price Administrator, with records of Communist-front organization affiliations. Palmer is listed as "consultant, \$20 per day."

Reference to work of Dewey H. Palmer in Seeds of Destruction

Chapter 12, pages 303-4, footnote 23, of Seeds of Destruction: "Other students give

an equally gloomy picture of the industry's future, one showing that during 1936 under ideal conditions in the Detroit Edison Research Residence, the cost of actually operating an inexpensive (\$400) residential air-conditioning unit amounted to approximately 85 cents a day, which figure did not include any fixed charges. When these fixed charges, especially interest on the investment and depreciation were included, the cost was found to have been about \$3 a day. These figures omitted the large additional outlay necessary to prepare the house for cooling, such as especially insulated walls and the use of awnings and blinds to keep out the sun." (From *The Cost of Conditioned Air*, the New Republic, July 29, 1936.)

Citations on Orlie Pell

Appendix IX:

Pages 1335-1336: Chairman, panel III, white collar fields, National Wartime Conference of the Professions, the Sciences, the Arts, the White Collar Fields, May 8 and 9, 1943, Hotel Commodore and Hotel Biltmore, New York City.

Page 1337: Took part in discussion of panel findings at conference mentioned above.

Hearings before the Special Committee To Investigate Tax-Exempt Foundations and Comparable Organizations, House of Representatives, 83d Congress, 2d session, on House Resolution 217, May, June, and July, 1954:

Page 1163, staff report on American Labor Education Service, Inc.: "In 1938, ALES published for sale a 45-page pamphlet entitled 'Annotated List of Pamphlet Material for Workers Classes.' While this pamphlet is now 16 years old, it should be noted that it contains a foreword by Eleanor G. Coit, the then and now director of ALES. In addition, the sections on The Labor Movement, Labor Economics, English and On Methods and Materials were prepared by Orlie Pell, who is still listed on the ALES staff as the publications and research associate."

Page 1165: "ALES distributes a reprint of a symposium on Some Trends in Adult Education, originally published in the November 1952 issue of Adult Education, an organ of the Adult Education Association of the United States of America. Eleanor G. Coit, director, and Orlie A. H. Pell, education and research associate of ALES, took part in the symposium."

Chapter 3, pages 72-73, footnote 7, of *Seeds of Destruction*. (From the Office Worker, Labor's Side of the Ledger, published by League for Industrial Democracy, 1937, p. 19.)

Citations on Frederick John Schlink

Dies Committee Public Hearings (Vol. I):

Testimony of Walter S. Steele, pages 565-566 and 703: Endorser, Brookwood College.

Reference to work of Frederick John Schlink in *Seeds of Destruction*

Chapter 8, page 202, footnote 39, of *Seeds of Destruction*: "Meatpackers purchase fine cattle at 10 cents a pound and see their steaks sold for 50 cents a pound. In the fish industry fresh mackerel selling at a penny a pound have had difficulty in finding buyers. A few days later they are selling at 42 cents a pound retail." (From *Eat, Drink, and Be Wary*, published by Covici-Fried, New York, 1935, p. 47, special edition for Consumers' Research, subscribers only.)

Mr. BUTLER. Mr. President, some of the references from *Seeds of Destruction*, which I have listed above, have not been extracted in detail. The statements were not controversial. However, it should be pointed out that the same statements could have been found in

other sources which were far more authoritative and which would have been more generally acceptable. It is significant to me that so many of Dr. Blair's sources are from the works of individuals whose associations with socialistic groups are a matter of official record. The quotations given from *Seeds of Destruction* show how completely Dr. Blair accepted the doctrines propounded by questionable individuals. Furthermore, as recently as May 1957 he supported his book in Mr. Rogers' column. This would indicate that he still accepts many of these views as his own today.

In my address at Baltimore, I said:

As a member of the Judiciary Committee, I have a responsibility which I shall discharge to force reexamination of the staff and the procedures of this important subcommittee.

I believe I have fulfilled this responsibility by making this material with reference to Dr. Blair, the chief economist of this subcommittee, available to all Members of the Senate.

It again gives me great satisfaction to congratulate the junior Senator from Illinois [Mr. DIRKSEN] for the comprehensive and well-documented minority views found in Senate Report No. 1387.

HOUSING

Mr. JOHNSON of Texas. Mr. President, it is always gratifying to see constructive action produce constructive results. The New York Times this morning reports that the new housing bill is already producing the most heartening results. Applications for commitments to purchase mortgages have been considerably greater than the FNMA has been able to process. In other housing areas, likewise, the response has been immediate on an impressive scale.

Response of this kind, coming so promptly as it has, is convincing evidence of the need for this measure. Obviously, a great backlog of unfilled demand exists. We have other such backlogs piling up in our economy, blocking the full operation of our economy. This example is, I am sure an impressive indication for us all of the value and importance of doing what we can here to remove the roadblocks and allow these accumulated demands to be felt in the economy. I ask permission that the article from the New York Times of April 17, 1958, be printed in the body of the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HOUSING RESPONSE IS REPORTED GOOD—UNITED STATES SIGNS FOR 6 MILLION IN MORTGAGES IN FIRST WEEK OF ANTIRECESSION PLAN

(By Edwin L. Dale, Jr.)

WASHINGTON, April 16.—The Government signed up for the purchase of \$6,444,000 worth of mortgages in the first week of operation of the new antirecession housing bill.

This quick response of the building industry was reported today by officials of the Federal National Mortgage Association. They said the response to the bill had been good and that the number of applications for commitments to purchase mortgages had been considerably greater than the number the agency had been able to process.

The number of applications for mortgage purchase commitments approved by April 10, was 609, worth \$6,444,000. Under the program, Fanny May will commit itself to purchase mortgages of up to \$13,500 at par on homes that have not yet been started. Thus the program is intended as a stimulus to housing starts.

Under the new program, \$1 billion is provided for such mortgage purchases. President Eisenhower signed the bill reluctantly, on the ground that the mortgage financing would be a direct drain on the Treasury. He reserved the right to reexamine the program after \$300 million had been used.

BULK EXPECTED TO BE GI

Officials said today that they had no breakdown on the number of GI mortgages, guaranteed by the Veterans' Administration, included in the early purchase commitments. But they expect that the great bulk of applications for Fanny May purchase will be for these GI mortgages, which bear only 4½ percent interest and thus are relatively unattractive to private lenders.

Related to today's report was an announcement from the Veterans' Administration that March showed the best volume since last September on applications for appraisal of proposed construction of GI housing.

These appraisal requests were 8,406 in March, compared with 5,301 in February and the recent low of 3,501 in December.

The new bill raises the GI interest ceiling from 4½ to 4¾ percent, removes discount controls and establishes the new program of Fanny May purchases.

Although the new legislation was not in effect in March, today's VA announcement said the increase "undoubtedly was due to the anticipated signing by the President" of the legislation.

TRANSFER OF RIGHT-OF-WAY FOR YELLOWTAIL DAM AND RESERVOIR

The PRESIDENT pro tempore laid before the Senate the amendments of the House of Representatives to the joint resolution (S. J. Res. 12) to provide for transfer of right-of-way for Yellowtail Dam and Reservoir, Hardin unit, Missouri River Basin project and payment to Crow Indian Tribe in connection therewith, and for other purposes, which were, to strike out all after the resolving clause and insert:

That, from funds appropriated to the Department of the Interior, Bureau of Reclamation, for the Missouri River Basin project, there shall be transferred in the Treasury of the United States to the credit of the Crow Tribe of Indians, Montana, to be available in accordance with the act of June 20, 1936 (49 Stat. 1543), the sum of \$2,500,000. Said sum includes both just compensation for the transfer to the United States as herein provided of the right, title, and interest of the Crow Tribe in and to the tribal lands described in section 2 of this resolution and a share of the special value to the United States of said lands for utilization in connection with its authorized Missouri River Basin project, in addition to other justifiable considerations. Nothing contained herein shall be taken as an admission by the United States that it is under any legal obligation to pay more than just compensation to said Crow Tribe and, in any suit brought as provided in section 3 of this resolution, no amount in excess of the sum above stated shall be awarded unless the court find that the whole of said sum is less than just compensation for the lands taken. No attorney fees shall be allowed out of the amount paid

under authority of this resolution. Neither the initial transfer of such funds to the tribe, as provided herein, nor any subsequent per capita distribution thereof shall be subject to Federal income tax.

Sec. 2. (a) Subject to the provisions of this section, there is hereby transferred to the United States the right, title, and interest of the Crow Tribe in and to lands situated in the Big Horn County, Mont., herein-after described under the headings "Parcel A" and "Parcel B."

PARCEL A

Lots 7, 8, 9, 10, 11, and 12, northeast quarter of the southwest quarter and the east half of the southeast quarter of section 18; lots 1, 2, 3, 4, 5, and 6, southwest quarter of the northeast quarter, southeast quarter of the northwest quarter, and the northeast quarter of the southwest quarter of section 19, all in township 6 south, range 31 east, Montana principal meridian, and containing 573.84 acres, more or less.

A tract of unsurveyed, unallotted Indian land described as follows: Beginning on the westerly side of the Big Horn River at a point on the west line of lot 9, section 18, township 6 south, range 31 east, Montana principal meridian, said point being at elevation 3,675; thence running upstream along a contour line whose elevation is 3,675, to a point of intersection with the east line of the southeast quarter of the northeast quarter of section 22, township 6 south, range 30 east, Montana principal meridian; thence southerly along the east line of said southeast quarter of the northeast quarter to a point on the east line of said southeast quarter of the northeast quarter, whose elevation is 3,675; thence running upstream along a contour line whose elevation is 3,675, to a point of intersection with the south boundary of the Crow Indian Reservation on the westerly side of the Big Horn River; thence easterly along the said south boundary of the Crow Indian Reservation to a point of intersection with the middle of the thread of the Big Horn River; thence running upstream along the middle of the thread of the Big Horn River to a point of intersection with the south line of township 9 south, range 28 east, Montana principal meridian; thence easterly along the south line of said township 9 south, range 28 east, to a point on the south line of said township 9 south, range 28 east, Montana principal meridian, whose elevation is 3,675 feet; thence running downstream along a contour line whose elevation is 3,675 to a point of intersection with the west line of township 6 south, range 31 east, Montana principal meridian; thence northerly along the west line of said township 6 south, range 31 east, to the point of beginning, and containing 4,771.6 acres, more or less.

Also, a parcel of land lying along the south boundary of the Crow Indian Reservation, further described as follows: Beginning at a point where the 3,675-foot contour to the left of the Big Horn River intersects the south boundary of the Crow Indian Reservation, said point being approximately 5,400 feet westerly of the point of intersection of the Big Horn River and the south boundary of the Crow Indian Reservation; thence running upstream on the 3,675-foot contour to a point where the 3,675-foot contour intersects the south boundary of the Crow Indian Reservation; thence running easterly along the south boundary of the Crow Indian Reservation to the point of beginning and containing 5.7 acres, more or less.

Also, a parcel of land lying along the south boundary of the Crow Indian Reservation and along Hoodoo Creek further described as follows: Beginning at a point on the south boundary of the Crow Indian Reservation where the 3,675-foot contour on the east bank of Hoodoo Creek intersects

the south boundary of the Crow Indian Reservation; thence running upstream on the 3,675-foot contour to its intersection with the middle of the thread of Hoodoo Creek; thence running downstream on the 3,675-foot contour to a point where the 3,675-foot contour intersects the south boundary of the Crow Indian Reservation; thence easterly along the south boundary of the Crow Indian Reservation to the point of beginning and containing 1.3 acres, more or less.

The total area above described is 5,352.44 acres, more or less, situated in Big Horn County, Mont.

PARCEL B

Lots 1, 5, and 6 of section 18, lots 4, 6, 7, and 8, and the south half of the north-west quarter of section 17, lots 6 and 7, section 16, all in township 6 south, range 31 east, Montana principal meridian, containing 325.50 acres, more or less, and situated in Big Horn County, Mont.

(b) There is reserved from the right, title, and interest transferred as to parcel B, the Indian Irrigation Service canal and appurtenant facilities, Big Horn unit, Crow Indian Irrigation Department, as now constructed or as they may be hereafter modified, until such time as said canal and appurtenant facilities may be replaced.

(c) Except as to such area as the Secretary determines to be required for the dam site and the construction and operating camp site, the right, title, and interest transferred shall be exclusive of the rights to minerals, including gas and oil, beneath the surface: *Provided*, That no permit, license, lease, or other document covering the exploration for or the extraction of such minerals shall be granted by or under the authority of the Secretary except under such conditions and with such stipulations as the Secretary deems adequate to protect the interests of the United States in the construction, operation, maintenance, and use of the Yellowstone unit.

(d) The members of the Crow Tribe of Indians of Montana shall be permitted to hunt and fish in and on the Yellowstone Reservoir and taking area without a license.

Sec. 3. The sum provided by section 1 hereof shall constitute full, complete, and final settlement of any and all claims by the tribe on account of the transfer to the United States as therein provided of the tribe's right, title, and interest in and to the lands referred to in section 2 hereof.

And to strike out the preamble.

Mr. MURRAY. Mr. President, I move that the Senate disagree to the amendments by the House of Representatives to Senate Joint Resolution 12, to provide for transfer of right-of-way of Yellowstone Dam and Reservoir, Hardin unit, Missouri River Basin project and payment to Crow Indian Tribe in connection therewith.

I further move that the Senate request a conference with the House on the disagreeing votes of the two Houses thereon, and that conferees on the part of the Senate be appointed by the Presiding Officer.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to; and the President pro tempore appointed Mr. MURRAY, Mr. ANDERSON, and Mr. MALONE conferees on the part of the Senate.

POULTRY INSPECTION

Mr. MURRAY. Mr. President, a little more than 2 years ago, I introduced legislation to establish mandatory inspection

of poultry slaughtered for interstate commerce, and I am gratified that such inspection is now being established.

With its establishment, consumers can have confidence that poultry and poultry products moving between States are from healthy fowl, killed and dressed in sanitary plants.

Establishment of inspection on products moving in interstate commerce does not, however, entirely meet the problem. Considerable amounts of poultry and products are marketed within single States. Assurances of healthful, sanitary products in these instances are the responsibility of State and local authorities.

Efforts to assure inspection of poultry products moving inside the States are going forward under the leadership of the American Public Health Association, which is pressing for the adoption of local and State laws and ordinances based upon studies and recommendations of the United States Public Health Service.

On November 13, 1957, the American Public Health Association adopted a statement on the general poultry-inspection situation; I ask unanimous consent for it to appear in the CONGRESSIONAL RECORD following these remarks.

The Association statement is an excellent outline of progress to date toward protecting consumers in this area, and of steps which still need to be taken. I call attention especially to the Association's commendation of the work of the United States Public Health Service and of the Food and Drug Administration. Also, to the fact that its first recommendation is that inspection be conducted by consumer protective agencies, not marketing agencies. This is in accord with the wise action of the House of Representatives which, in passing the agricultural appropriations bill, provided that poultry inspection go in the Agricultural Research Administration rather than the Agricultural Marketing Administration.

It is my hope that the Senate will concur in the action taken by the House.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

POULTRY INSPECTION—AN OFFICIAL STATEMENT OF THE AMERICAN PUBLIC HEALTH ASSOCIATION, ADOPTED NOVEMBER 13, 1957

(The following statement was prepared as the result of action taken by the executive board to formulate an outline of action and principles for the guidance of State and local health departments. A preliminary report was prepared by the Subcommittee on Poultry Inspection and Sanitation and was published in the October 1957 issue of the American Journal of Public Health. The report has been approved by the committee on evaluation and standards. It was adopted by the governing council on November 13, 1957, as an association statement. The members of the subcommittee that prepared the preliminary report were: Henry A. Holle, M. D., chairman; S. W. Barker; J. Robert Cameron, M. P. H.; William H. Feldman; Millard F. Gunderson, Ph. D.; and T. E. Sullivan.)

This committee was appointed to inquire into the health problems arising from the slaughter and distribution of poultry and poultry products and to report its findings and recommendations to the association. After a careful study of the problems involved

the following report and recommendations are submitted.

BACKGROUND

The processing and distribution of poultry and poultry products as conducted in the United States today presents significant health and consumer problems which demand action by responsible official agencies at the Federal, State, and local levels. These problems include health hazards to the consuming public and to poultry-plant workers through the slaughter of sick and diseased birds, the contamination of otherwise healthy birds in insanitary plants, and through the mishandling of poultry and poultry products in channels of distribution. State and local health and regulatory agencies have been seriously handicapped by the lack of specific, uniform legislation to control these problems.

Over 30 percent of the cases of reported food-borne diseases¹ have been associated with the consumption of poultry. It is not known what proportion of these cases is caused by disease in the poultry itself because some of these food-borne outbreaks resulted from insanitary conditions within or outside processing establishments. A substantial number were caused by organisms of poultry origin, particularly salmonella.

The health of employees in the poultry industry is also involved. Reports of the Bureau of Labor Statistics indicate that the injury-frequency rate in the poultry industry is the third highest of the 135 manufacturing industries reporting, exceeded only by the rates for certain logging and sawmill operations.² It is almost twice that of the red meat packing industry. Injury-frequency rate is the number of disabling injuries, including infections, per million man-hours worked, which result in death, permanent physical impairment, or loss of employment for one or more days. For example, if an employee contracts a skin rash but continues to work, it is not reported. Although specific infections or injuries are not named in reports issued by the Bureau of Labor Statistics, it is well known that psittacosis, Newcastle disease, erysipelas, and various other infections may be transmitted by poultry to plant employees.

Aside from the health problems associated with the processing and consumption of poultry, consumer confidence is of major importance. Consumers in the United States depend on official agencies for assurance that foods are not only safe to eat, but that they have been processed and handled in a clean manner under sanitary conditions, that they have not been contaminated in any way, and that they are truthfully and informatively labeled. This concept, often spoken of as consumer expectancy, has been established in the provisions and administration of the Federal Food, Drug, and Cosmetic Act and in the Meat Inspection Branch of the United States Department of Agriculture, as well as in State and local food control laws and regulations.

Many diseases of poultry are considered not dangerous to man, yet they may seriously affect birds and render them repugnant for use as food. Other forms of adulteration are also unacceptable, whether or not hazardous to the consumer. For example, a piece of poultry containing an abscess or soiled with feces might be cooked so as to be safe to eat, but no housewife would knowingly buy or serve it. In some areas when it became known that horse meat was being sold as hamburger, sales of

the latter dropped as much as 90 percent. Moreover, when it was learned that turkeys infected with psittacosis were being processed, sales of turkeys dropped precipitously in many areas.

The problems which confront health and regulatory agencies in connection with poultry have reached their present major proportions only within recent years. Formerly the marketing of poultry was conducted as a local industry. The housewife selected the live bird and either dressed it herself or had it dressed for her. This is not true today.

The poultry industry has more than doubled in size since 1940. The current annual per capita consumption of poultry meat exceeds 34 pounds and the annual retail value exceeds 3 billion dollars. This has resulted from radical changes in buying habits and merchandizing methods, including the marketing of a large volume and variety of new convenience foods which use poultry as an ingredient. Processing has changed from on-the-spot slaughter, observed by the consumer, to mass production methods.

Mass handling of a perishable, easily contaminated product, such as poultry, creates new and special health hazards if adequate controls are not instituted. In the case of poultry and red meat animals the introduction of diseased birds or animals into the processing plant and the presence of filth in the form of feces and other organic wastes require special safeguards beyond those necessary for most other food industries.

While responsible segments of the poultry industry have recognized these problems and have instituted research and improved methods designed to protect the wholesomeness of the product, there still remain many public health problems presently unsolved.

Fifty years of experience has shown that the only effective way to insure the wholesomeness and acceptability of commercially processed red meats is through continuous official supervision of processing operations, combined with antemortem and postmortem inspection, by persons with proper training and experience. Similar supervision and inspection is necessary in the poultry industry. Consumer protection mandates that these activities be conducted by employees of official agencies which have as their primary responsibility the safeguarding of health and consumer interests.

The investigation and control of food-borne disease outbreaks and of disease outbreaks among poultry plant employees are the direct responsibility of State and local health agencies. Irrespective of what agency has jurisdiction for supervising plant operations or for inspecting the product, the health authority cannot be superseded in his fundamental responsibility for protecting the health of the people.

The Federal Government can provide valuable assistance to State and local governments by providing the actual inspection services in poultry plants engaged in interstate commerce. This has been done in the case of meat inspection on a mandatory basis. Since poultry has achieved national distribution, it is logical that mandatory Federal inspection should be provided in plants which engage in interstate commerce.

It should be emphasized, however, that more than twice as many poultry processing plants engage only in intrastate commerce as ship across State lines, and a significant proportion of processed poultry is produced in such plants. It follows, therefore, that State and local agencies will still be faced with a major part of the inspection responsibility. In the absence of State or local inspection, uninspected plants could well become a dumping ground for diseased poultry. Moreover, the problem of contamination or adulteration of intrastate poultry after it leaves the inspected establishment will rest

exclusively on State and local agencies. This amounts to approximately half of the total production.

State and local governments have adopted varying ordinances and regulations in an effort to solve these problems. Many of them, however, have lacked such essentials as mandatory ante mortem and post mortem inspection. Realizing the need for uniform and effective action in this field, in 1952 the Association of State and Territorial Health Officers urgently requested the United States Public Health Service to undertake the task of drafting a model poultry ordinance which could be adopted by State and local units of government. Many similar recommendations for the development of such an ordinance were made by other professional organizations such as the United States Livestock Sanitary Association, the Association of Food and Drug Officials of the United States, and the Conference of Public Health Veterinarians.

Pursuant to these requests, in 1955, the Public Health Service completed and published those portions of a model poultry ordinance dealing with factors of sanitation. At this time a draft of proposed provisions of inspection for wholesomeness for incorporation into the model ordinance has been prepared but not published. Concurrently a "Manual for the Examination and Evaluation of Poultry and Poultry Products" has been prepared by the Public Health Service and the Food and Drug Administration (concurrent in by the Department of Agriculture and the Department of Defense). The manual has been distributed in mimeographed form by the Food and Drug Administration for administrative use. It deals with inspection for wholesomeness procedures and disposition of diseased poultry carcasses and is designed as a technical guide to supplement poultry inspection laws and ordinances.

General recognition of the need for mandatory Federal inspection of poultry in interstate commerce led to the introduction in Congress, in 1956 and 1957, of numerous bills on the subject. After extensive hearings before Congressional committees Public Law 85-172, "To provide for the compulsory inspection by the United States Department of Agriculture of poultry and poultry products," was enacted.

Testimony presented at these hearings supported the need for such legislation. However, a review of the records of the hearings reveals that segments of the poultry industry and some farm organizations placed commercial considerations above health and consumer safeguards. For example, they supported the continued practice of processing so-called "New York-dressed" poultry (unviscerated carcasses held for later evisceration) and opposed mandatory ante mortem inspection of poultry. This was directly contrary to the testimony of every public health and consumer spokesman as well as representatives of the poultry industry.

The magnitude and complexity of the problems existing in the poultry field reflect the obvious and urgent needs of State and local governments for assistance and guidance in determining the basic essentials which must be included in any effective poultry inspection program. After extensive study this committee has summarized them as follows.

BASIC ESSENTIALS

Program objectives and personnel

The program must have as its primary objective the health protection of the consumers of poultry and poultry products and of poultry plant employees. The health department is, therefore, the logical agency to administer the program.

The administrator must have the necessary authority and be responsible for the official acts of those engaged in carrying out the program.

¹ As reported by the States to the National Office of Vital Statistics.

² Quarterly Reports, Injury Rates, Manufacturing, 1955 and 1956, Bureau of Labor Statistics, Washington, D. C.

Personnel engaged in enforcing the program must not be subject to the direction or control of the inspected establishment nor of a competing establishment nor have any monetary interest therein. They must be qualified to perform their assigned duties and be subject to direct administrative action and discipline of only the enforcing agency. They should receive remuneration commensurate with their training, experience, and responsibilities and be provided with adequate job security.

Obviously, serious conflict of interests occurs when owners or employees of inspected establishments are authorized to do any official act of the inspecting agency. Moreover, the administrator cannot exercise effective control over the actions of employees of other agencies. Financial, political, or job security pressures may affect the attitude and conduct of such employees to the detriment of the inspection service and the consuming public.

The integrity of the official stamp or legend of the inspecting agency must be assured. Therefore, all personnel engaged in enforcing the program should be employees of the agency represented by the official stamp or legend applied to the product, e. g., when a Federal legend appears on the product, Federal employees must conduct the inspection; whereas if the product is inspected by employees of a State agency, the legend of that State agency must be used. When an official legend for wholesomeness is placed on poultry or poultry products it should be entirely factual and not misleading in any respect. Otherwise, the product is actually mislabeled and in violation of Federal and State food and drug laws.

Ante mortem inspection

Ante mortem inspection is a necessary part of inspection for wholesomeness. It must be mandatory, and must be sufficient to prevent the slaughter for processing of birds which can be detected as being unfit for human food. This will prevent unnecessary exposure of plant employees to diseased poultry and will minimize contamination of processing plant and equipment, of employees' hands, and of healthy poultry. It will also prevent the approval of carcasses on post-mortem inspection alone because of a lack of readily identifiable lesions when ante mortem signs would have warranted condemnation. This occurs in many instances of respiratory and nervous system infections and in acute fulminating infections.

To accomplish this purpose all poultry should be visually observed at the plant by an official inspector while in batteries, coops, or pens. Individual birds should be removed and examined more closely, visually and otherwise, when it is deemed necessary by the inspector in order to determine proper disposition.

Poultry found to be sick or otherwise unfit for human food must be condemned, killed, and destroyed or denatured under the supervision of an inspector in such a manner as to preclude its use for human food.

Poultry suspected of being unfit for human food, but not exhibiting signs of a nature to warrant condemnation on ante mortem inspection, must be identified as suspect, held, slaughtered, and processed separately from other poultry and subjected to post-mortem inspection under such conditions as are necessary to allow careful examination and correlation of ante mortem signs with post-mortem findings. Equipment and facilities used for suspect poultry should be cleaned and disinfected thoroughly before reuse.

If practicable, the Administrator may consign large lots of diseased or suspect birds for observation or treatment under the supervision of livestock sanitary authorities.

Post mortem inspection

Each poultry carcass is a separate entity insofar as wholesomeness and freedom from disease are concerned and should be evaluated separately. Each poultry carcass and its attached or identified viscera must be presented to the inspector for examination immediately after the bird has been slaughtered, defeathered, and washed.

Carcasses must not be routinely chilled or stored, nor shipped or otherwise held in the unviscerated form for delayed evisceration and post mortem inspection. Delayed evisceration of poultry often results in mass contamination of carcasses with feces and other wastes, and in cross contamination from diseased or carrier carcasses to healthy carcasses. Post mortem recognition of otherwise readily detectable disease conditions may be difficult, and correlation of ante mortem and post mortem findings is virtually impossible if inspection is not made immediately after slaughter.

An inspector must examine the external and internal surfaces, and the viscera of each carcass at the time of evisceration, both visually and by palpation as may be necessary to determine proper disposition. The carcasses must be opened and presented to the inspector in such a manner as to permit proper examination and evaluation.

Additional inspection of carcasses and edible viscera after completion of evisceration must be conducted to the extent necessary to insure that all inedible parts have been removed, and the product is clean and unadulterated.

Inspection of poultry products

Careful supervision over the composition and processing of poultry products, such as soups, salads, pies, and prestuffed and pre-cooked poultry must be maintained by the inspector. Ingredients used in poultry products must be inspected at such times and under such conditions as are necessary to assure their fitness for use.

Disposition

Poultry, ingredients, and poultry products, or portions thereof, found by the inspector to be diseased or otherwise unfit for human food must be condemned and destroyed or denatured under the supervision of an inspector so as to preclude their use for human food or to prevent dissemination of disease.

Before leaving the establishment, poultry and poultry products passed for human food must be properly packaged and identified with the inspection legend.

Reinspection

Poultry and poultry products must be re-inspected in the establishment at such times and under such conditions as are necessary to assure their continued fitness for human food. Any foods found unfit prior to leaving the control of the processing plant must be condemned, even if previously inspected and passed for wholesomeness.

Inspection facilities

The processing establishment should provide adequate facilities and accommodations for inspectors and inspection procedures. Inspection stamps, tags, and other materials bearing the inspection legend must be kept in a secure place; records and other supplies must be suitably stored and lockers made available for the inspectors' clothing.

Laboratory service

Laboratory services should be available to the enforcement agency when necessary to obtain chemical, pathologic, or microbiologic information.

Presence of inspector; access to plant

An inspector must be present in the processing plant at all times when any processing operations are being conducted, including reprocessing, packing, or repacking.

Each inspector must be granted access at all times to any part of a processing establishment to which he is assigned, provided access is for the purpose of carrying out his officially assigned responsibilities under the law or regulations of the inspection service.

The administrator must have authority to require that processing operations be conducted during reasonable hours and that each operator of a processing plant obtain approval of a time schedule for processing operations and give reasonable advance notice whenever it is desired to conduct processing operations outside the established schedule.

Reports, records, cooperation with other agencies

The inspector of each poultry processing establishment must keep complete records of this official activities and submit reports periodically to the administrator. These reports should contain information regarding percentage of morbidity and the incidence of common infectious diseases and neoplasia recognized in carcasses of birds examined. When ever inspection findings may promote the control or prevention of disease in man or other animals such findings should be promptly transmitted to appropriate health or livestock disease control agencies. Co-operative action should be instituted between agencies when such action will facilitate the control of disease in man or animals.

Plant sanitation

Obviously the consumer protection gained through ante mortem and post mortem inspection of poultry will be largely nullified unless the plant, its equipment, and facilities are constructed, maintained, and operated in a clean, sanitary manner. Therefore, standards of sanitation, including requirements dealing with the many aspects of sanitation in the processing of poultry, must be kept in mind when considering basic ordinance requirements. Such standards of sanitation are contained in Publication No. 444 Poultry Ordinance, published by the Public Health Service, United States Department of Health, Education, and Welfare, Washington, D. C.

The committee feels, however, that the following comments should be made:

"(a.) There has been substantial improvement during recent years in sanitary facilities and operations of many poultry processing establishments. In spite of this, sanitary conditions in a major part of the industry are far from satisfactory. This is true even in many large modern plants because of continued handling of so-called 'New York-dressed' poultry, and the fact that eviscerating operations in many plants are conducted at such high speeds as to make the adherence to sanitary procedures and the prevention of contamination of the product an impossibility.

"(b.) All improvements in sanitation in the poultry processing plant contribute toward safer and better working conditions for employees. A special hazard to employee health, however, is the prevalence of aerosols carrying viruses or other organisms (for example, the psittacosis virus, Salmonella, and paracolon organisms) which may enter the plant on the birds or in their organs and body cavities. The committee recommends that studies be conducted to determine measures which can be used to control this problem, including a study of downdraft ventilating systems. An additional benefit of control measures would be the prevention of product contamination by organisms carried in the aerosols."

Labeling

The identity of inspected poultry and poultry products must be maintained from the time they have been inspected and passed at the plant until they reach the consumer.

Otherwise, uninspected poultry produced and held under insanitary conditions could be substituted.

Each container of packaged poultry must bear the inspection stamp of the inspecting agency, a plant-identification number assigned by the inspecting agency, the name of the product, the quantity of food in the container, and the name and address of the packer. Each container must bear any additional labeling required by applicable food and drug laws in the manner and form required by such laws.

When bulk poultry or poultry parts is shipped from an inspected plant for retail sale (shipment other than to another inspected plant for further processing) each carcass or major portion must be identified with the inspection legend and plant number by use of a suitable tag or other marking securely attached to the carcass or part.

All labels, tags, stamps, devices, or materials bearing the inspection mark must be under the sole jurisdiction of the inspector and must be placed on the product or container by or under the supervision of an inspector. The reuse of a container bearing any official inspection mark will defeat the purposes of an inspection program and must be prohibited.

Adequate industry records of receipt, sale, and distribution of poultry should be kept and made available at the enforcing agency.

Exemptions

Care must be taken that no exemption be granted which will nullify or weaken the program. No exemption should be granted to any producer, processor, wholesaler, or retailer with respect to plant sanitation or inspection requirements. No uninspected poultry or poultry products should be sold. Retail establishments should be permitted to process poultry only to the extent of cutting up or further preparing inspected poultry or poultry products for sale or service on the premises to the ultimate consumer.

Some official agencies permit the use of various types of official marks or grade labels which infer that the poultry or poultry product so marked has been inspected for wholesomeness when, in fact, it has been subjected to very inadequate sanitation safeguards and little or no inspection for wholesomeness. Only poultry from outside sources which has been inspected for wholesomeness under standards comparable to those enforced by the local inspection agency should be permitted to be brought into the jurisdiction for sale or further processing.

While it is recognized that there is some sentiment to granting exemptions to the farmer for the sale of poultry produced and dressed by him, this practice is not in the interest of public health, since it permits the sale of significant quantities of uninspected poultry to retail markets, restaurants, and consumers without adequate sanitation or inspection safeguards.

It is also recognized that some members of certain religious groups feel they should be exempted from some of the procedures required in this type of program because of special dietary or food preparation rules. The committee has been unable to find any instance where inspection for wholesomeness or plant sanitation conflict with any religious rules. In fact, it is inconceivable that any religious prohibition or rule would permit the slaughter of diseased poultry or require insanitary plant conditions or processing procedures.

SUMMARY AND RECOMMENDATIONS

Major public-health problems face State and local governments with respect to the processing and consumption of poultry and poultry products. State and local units of government, each in its own way, have been attempting with only minor success to solve

these problems. The problems have grown faster than local government can apply solutions and have now reached such proportions that States and municipalities are urgently requesting assistance from the Congress and various Federal Government agencies in solving them. Similar requests have been directed to the APHA, which organization has authorized this subcommittee to investigate the problems and recommend appropriate action.

The committee finds that the public health problems are twofold: (1) the transmission of disease to consumers of poultry and poultry products, and to poultry plant workers from sick or diseased birds, and (2) illness to the consumer of poultry caused by insanitary poultry-plant conditions or contamination of poultry and poultry products during distribution.

A third problem, not entirely of a public-health nature, involves the distribution of poultry and poultry products containing filth and decomposition, which have been cooked or processed so as to render them relatively safe to eat but which are repugnant to the consumer. The sale of such products is both fraudulent and deceptive.

The committee believes that the only effective solution to these problems lies in the inauguration of an effective, uniform, mandatory system of inspection of poultry and poultry products and the institution of adequate poultry-plant sanitation standards to be enforced by departments of health at all levels of government.

The Federal Congress has enacted legislation which will require the inspection of poultry and poultry products traveling in interstate commerce and which will provide authority to establish standards of sanitation to be met by plants desiring to enter the channels of interstate commerce.

The enactment of such Federal legislation does not eliminate the problems facing State and local health departments since those departments are primarily responsible for protecting the health of the people and for investigating and controlling all outbreaks of disease, including those originating in poultry plants or traceable to poultry or poultry products.

The fact that the Federal Government provides an inspection service in a given industry does not preempt or supplant the authority and responsibility of State and local health agencies to protect the health and welfare of citizens within their respective jurisdictions, including appropriate investigations when necessary in federally inspected plants.

Moreover, Federal inspection will not reach the vast majority of poultry plants whose products do not enter interstate commerce. These must be regulated by local and State governments. It is estimated that more than twice as many plants will fall into this category as will be subject to Federal inspection. States and units of local government need assistance in the preparation of uniform standards to be applied in insuring the integrity of inspected poultry and poultry products.

The United States Public Health Service Recommended Poultry Ordinance—1955 edition, officially designated as PHS Publication No. 444, embodies standards of sanitation which meet essential public health requirements. The committee also feels that requirements for inspection of poultry for wholesomeness embodied in a document entitled "Study Draft of Basic Inspection for Wholesomeness Provisions Proposed for Incorporation in PHS Publication No. 444 Poultry Ordinance, 1955 Edition" dated March 20, 1957, include public health standards which will insure the processing of only healthy wholesome poultry and poultry products.

The document entitled "Manual for the Examination and Evaluation of Poultry and Poultry Products," dated February 1957, is a necessary and satisfactory adjunct to the interpretation of the inspection for wholesomeness standards referred to in the preceding paragraph.

Copies of the United States Public Health Service Recommended Ordinance—1955 edition; a Study Draft of Basic Inspection for Wholesomeness Provisions Proposed for Incorporation in PHS Publication No. 444, Poultry Ordinance, 1955 edition, dated March 20, 1957; and a Manual for the Examination and Evaluation of Poultry and Poultry Products dated February 1957, are attached to this [original] report as addenda.

The American Public Health Association is an appropriate body to bring to the attention of agencies of the Federal Government and to State and local governing officials the scope and urgency of these problems and to make firm recommendations for correcting or alleviating them. To that end, this committee respectfully offers the following recommendations:

1. That regulatory functions which are instituted to protect the health of the consumer and the worker are more appropriately administered by consumer protective agencies, such as departments of health rather than by government agencies concerned principally with the promotion and the marketing of agricultural products.
2. That the Secretary of the United States Department of Health, Education, and Welfare and the Surgeon General of the United States Public Health Service be urged to publish and make available at the earliest possible date a recommended complete ordinance dealing not only with poultry-plant sanitation, but also with inspection of poultry for wholesomeness.
3. That the Commissioner of Food and Drugs, United States Food and Drug Administration, and the Surgeon General, United States Public Health Service, be urged to expedite the publication and distribution of a document entitled "Manual for the Examination and Evaluation of Poultry Products" presently in draft form dated February 1957.
4. That the United States Public Health Service continually investigate and evaluate the public health problems associated with the slaughter, processing, and distribution of poultry and poultry products and recommend to State and local governments appropriate remedies.
5. That the American Public Health Association inform the appropriate agencies in the several States of the public health problems existing in connection with the processing of poultry and the need for uniform, effective measures to control them.
6. That the American Public Health Association commend the United States Public Health Service and the United States Food and Drug Administration for their contributions to the solution of public health problems in the field of poultry processing and that they be encouraged to provide additional information—and leadership in this field to health agencies within the several States.
7. That the American Public Health Association transmit copies of this report to the Secretary of the United States Department of Health, Education, and Welfare, to the Surgeon General of the United States Public Health Service, and to the Commissioner of Food and Drugs, United States Food and Drug Administration.

THE BRUSSELS WORLD'S FAIR

Mr. SMITH of New Jersey. Mr. President, today marks the opening of the

Brussels World Fair. Forty-two nations will have exhibits at this largest of all world's fairs, on which the Belgian people have lavished the best of their national genius. They are to be warmly congratulated for their magnificent effort and we in America wish them success and good luck.

Our own exhibition has been the source of considerable controversy, and many of us, especially the able Senators from Minnesota [Mr. THYE] and Massachusetts [Mr. SALTONSTALL], have striven to make certain that sufficient funds would be available. Unfortunately, such efforts were to no avail, and the United States program will not be as full as we have hoped.

However, the United States is fortunate in having as its Commissioner General the Honorable Howard S. Cullman, and we know that his talents will be utilized in presenting the finest portrayal of American life that is possible under the circumstances. Over 40 million people are expected to visit the fair this summer, and I am certain that due to the efforts of Commissioner Cullman and his associates these visitors will carry away with them a deeper understanding of the American people and of our achievements and ideals.

I turn now to another subject.

The PRESIDENT pro tempore. The Senator from New Jersey has the floor.

FOREIGN TRADE

Mr. SMITH of New Jersey. Mr. President, there are some who, taking advantage of our current economic difficulties, have tried to link unemployment with our reciprocal trade policies, that is, foreign imports are responsible for the loss of jobs of American workers. A recent editorial in America, the Jesuit weekly magazine, effectively counters this argument by calling upon the recent testimony of President Eisenhower and Adlai Stevenson which demonstrates that the exact opposite is true; that is, many of our American jobs are directly or indirectly dependent upon our foreign trade.

However, a more compelling reason for renewing the Reciprocal Trade Act is the declared Communist challenge in this field. As the editors of America remind us:

Jobs are at stake, but so is the fate of the world.

I ask unanimous consent that the editorial entitled "Foreign Trade: the Great Issue," America, April 12, 1958, be printed in the RECORD at the conclusion of my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

FOREIGN TRADE: THE GREAT ISSUE

Now that the House Ways and Means Committee has concluded hearings on reciprocal trade, it is no reflection on those who testified to observe that they contributed nothing new to the debate. The basic arguments in the protectionist-free trade controversy have not changed over the years, or, indeed, over the centuries. All that changes, whether the debate takes place in the French National Assembly, or the Japanese Diet, or the United States Congress, are the circumstances in which

nations find themselves. At one time these give special appeal to the protectionist arguments; at another they tip the scales toward free trade.

As the debate unrolled before Ways and Means, it was obvious that opponents of a 5-year extension of the Reciprocal Trade Act saw in the recession a development favorable to their side. The old argument that foreign competition throws workers out of jobs gains in force when, as is the case at the moment, over 5 million Americans are unemployed. The protectionists played all sorts of variations on this distressing theme.

In his speech at the big liberal trade rally which was staged with much fanfare in Washington on March 27, President Eisenhower countered the protectionist argument with some compelling figures. Last year, he pointed out, the United States exported \$20 billion worth of goods, and the business of producing and shipping these goods provided jobs for at least 4.5 million American workers. To restrict the ability of foreign nations to sell goods to us is to restrict their ability to buy from us; and if foreign orders fall off, so will these American jobs.

Addressing the same group, Adlai Stevenson supported the President with some little-known figures on the impact of imports on unemployment. With the Department of Labor as his authority, Mr. Stevenson stated that in the 23 industries which the Tariff Commission found to be seriously injured, or threatened with injury, by foreign competition between April 1948 and March 1957 only 28,000 workers had been displaced. He cited estimates that if all tariffs were to be suspended—which nobody advocates—no more than 200,000 to 400,000 jobs would be affected.

If the circumstance of the recession appeared to favor the protectionists, Khrushchev's climb to dictatorial power in Moscow—ratified on March 27 by the Supreme Soviet, which named him Premier—added strength to the cause of reciprocal trade. No matter how greatly Congressmen may be worried about the recession, most of them are more worried about communism. When the showdown debate occurs in Congress, they will be reminded of Khrushchev's open challenge in the area of trade:

"We declare war upon you—excuse me for using such an expression—in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States of America is not the ICBM, but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system."

It is this circumstance which makes it unthinkable that Congress will not renew the Trade Act. Jobs are at stake, but so is the fate of the world.

DEFENSE REORGANIZATION

Mr. SMITH of New Jersey. Mr. President, although I have not had a chance to study the draft bill submitted by President Eisenhower yesterday, I express myself as being in strong agreement with his general recommendations for defense reorganization. The President's April 3 message on this subject was a convincing argument, made particularly compelling by his unique familiarity with the organization of our Armed Forces.

It seems to me that most of the attacks on the President's reorganization plan are based on a misunderstanding or a distortion of his actual recommendations. Significantly, these criticisms have all been raised before the President's detailed recommendations were made public.

It has been argued that the plan would abolish the Joint Chiefs of Staff and the traditional services and make a "czar" of the Secretary of Defense. The inaccuracy of such statements is obvious to anyone who reads the President's message carefully.

As for objections to giving the Secretary of Defense greater fiscal authority, the President's draft bill does not raise the issue. The question has wisely been deferred until next year, and Congress will have ample opportunity to consider it in detail at that time.

However, the President stated at his press conference yesterday that he did not want Congress to appropriate all military money to the Secretary of Defense in one lump sum. He said he only sought "supervisory influence and flexibility in finances" for the Secretary and the Joint Chiefs in order to make strategic planning more effective.

On the vitally important subject of defense reorganization, President Eisenhower is the Nation's foremost authority. His recommendations deserve our confidence and support.

Another leading authority on the problems of interservice disunity is Gen. Carl Spaatz, United States Air Force, retired, who served as commander in chief of the Strategic Air Forces in Europe during World War II and later as Air Force Chief of Staff. In the April 14 issue of Newsweek magazine he has contributed a lucid evaluation of the President's plan. I ask unanimous consent that his article, entitled "Middle Way the Wise Way," be printed at this point in the body of the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

MIDDLE WAY THE WISE WAY

President Eisenhower's plan for a further approach to real unification of the Armed Forces is neither as radical as some military experts wanted it to be nor as conservative as most Congressional leaders expected it to be. It represents a compromise between two sharply conflicting points of view—and, I think, a wise one.

The President's plan is disappointing to those who believe that the time has come to deprive the three services—Army, Navy, and Air Force—of their separate identities altogether. Under the President's plan, there will still be 3 distinctly uniformed services, 3 secretaries exercising some degree of civilian control over them.

More important, in the view of those who want to go the whole way, the President's plan fails to create a single Chief of Staff.

Nevertheless, the President's plan would, if adopted in its entirety, represent a long stride toward unity of command and organization—probably a long enough stride to put the Pentagon on top of its immediate job. It would give the Secretary of Defense enough authority to weld the individual services into a force sufficiently unified to prepare for a modern war emergency without impoverishing the Nation in the process. It will be opposed by interests having a stake in the present system of disunity, if indeed it can be called a system.

SINGLE ORGANIZATION

The problem, reduced to its simplest terms, is this: The next war, whether limited or general, won't be fought by the Army, the Navy, or the Air Force. It will be fought by combat teams embracing elements of all three services. It is perfectly obvious, then,

that control of all 3 must be in the hands of 1 man heading a single organization.

This was so even in the Second World War. To fight that war, a sort of voluntary unification system was improvised. It wasn't a very efficient system but it was efficient enough to achieve victory because the combined resources of the United States, Britain, and Soviet Russia were too much for the combined resources of Germany and Japan.

THE ANTAGONIST

With Soviet Russia the indicated antagonist of the United States and its allies in any future war, it would be folly to assume that our side would again have the advantage of predominance in resources. Already the U. S. S. R. is approaching parity in military strength with the Western Alliance, if it has not already achieved parity. This time we can't afford to wait until war comes to improvise a workable military organization. In this new age of missiles, we could be beaten before such an improvisation could be accomplished.

The President's plan would give the Secretary of Defense power to administer the affairs of the three services, to coordinate weapons planning and development, and to devise strategy with the aid of the Joint Chiefs of Staff. It would minimize present service rivalries and duplications of effort and expenditure. It would also give him authority to make the best use of the manufacturing facilities of the private industries which now supply the services with weapons—at present, a source of enormous waste.

Much of what the President has proposed can be accomplished by exercise of his own powers as Commander in Chief. However, Congress should act at once to authorize the Secretary of Defense, within certain limits, to transfer funds and personnel from one service to another and to lift the present ceiling on the number of officers (210) permitted to serve with the Joint Chiefs of Staff.

WILLIAM F. KNOWLAND, SENATOR FROM CALIFORNIA

Mr. DIRKSEN. Mr. President, now and then there comes to one's attention a friendly article which rather effectively assesses the character and viewpoint of a person in public life. Such an article was published in the Los Angeles Times of March 25, 1958. It deals with the viewpoint and service of our very distinguished minority leader, the Honorable WILLIAM F. KNOWLAND. I ask unanimous consent that it be printed in the body of the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

BY THE WAY—WITH BILL HENRY

BILL KNOWLAND came out home over the weekend, touched a couple of bases and then hustled back to his job in Washington, thereby running absolutely true to form—BILL believes that when you have a responsibility you work at it.

Governorship: The KNOWLAND campaign for the governorship of California is likely to be a rather dramatic test of what we call the democratic process—meaning that it will be the California voters who will be on trial. Do they want a good politician for governor? If they do, BILL KNOWLAND isn't likely to get the job. KNOWLAND won't sacrifice what he regards as his principles just to gain political advantage. On the other hand, he has a sublime belief that the people appreciate a sense of responsibility and a devotion to duty and that, if character counts for anything, he'll make more votes for himself by sticking to his responsible job in the Senate of the United States than

by neglecting that responsibility in favor of playing hooky to campaign at home.

Policy: BILL KNOWLAND's choice of what is known as the right to work issue as a major plank in his campaign platform is certainly not the choice of a politician. It not only flies in the face of a quarter of a century of carefully built-up propaganda which gave labor union bosses a sort of sanctification but it invited the union bosses of the whole United States to concentrate their influence and their enormous bank-rolls on fighting him in this State. KNOWLAND bases his hope for victory on this issue on the intelligence of California voters. If they can understand, and he believes they can, that there is a wide distinction between enslaved, involuntary union membership and the thing he stands for—the right of each laboring man to join or not to join a union—then he has a chance to win. No ordinary politician would take a chance on such a proposition—but KNOWLAND has.

Unusual: It is almost unheard of for any man in political life to run for office with his whole campaign based on intelligent understanding by the voters. The usual, and simple, thing is to take a simple slogan which nobody has to understand—and run on that. Not our WILLIAM. He's not against labor unions. He's for better labor unions—the kind that will be so good that workers will join of their own free will and not have to be slugged to join them. But it takes a bit of intelligence and judgment to understand that. The cry "KNOWLAND is against labor unions" is an appeal to stark stupidity. But—that's our WILLIAM. He's been doing things the hard way for a long time and has been successful anyhow. KNOWLAND as a governor would be a good governor, one who will be strictly fair and square. But he won't be what might be described as a popular governor. It is generally believed among politicians that the voters don't want to have a good, fair governor—they want one who will be unfair, on their side. The Knowland campaign this year is going to be a pretty good test—and it isn't going to be KNOWLAND who will be judged but, rather, it will be the voters.

In condition: If the Senator seemed to be in good fettle this past weekend and 100 percent Californian despite his long absences from his home State, this may be because his California friends have been keeping him in tune with his home State. The California State Society dined him in Washington a couple of weeks ago and, besides the main entree of purebred California meat supplied by the California Cattle Feeders Association, he drank California wines, ate California tuna, olives, avocados, asparagus, potatoes, and even had desserts and flowers from California. If our BILL is too dedicated to his job to come to California often, we'll take California to him.

WARNINGS BY ROSCOE DRUMMOND IN FIELD OF FOREIGN RELATIONS

Mr. NEUBERGER. Mr. President, for the April issue of the magazine *Western World*, the distinguished journalist, Mr. Roscoe Drummond, who is a contributing editor of this periodical, has written a stirring and thought-provoking article under the title of "Defeat by Default."

In his article, Mr. Drummond describes the alternative development of events that might occur in the case of a hypothetical attack by the U. S. S. R. on the territory occupied by the advanced positions of the North Atlantic Treaty Organization, in Western Germany, depending on whether or not NATO is able

to take immediate firm decisions in response to such an attack.

Mr. Drummond is no warmonger. He predicts no such attack. But he effectively uses a very vivid and concrete description of the hypothetical course of events in case of a Communist invasion of West Germany, to demonstrate the essential question of NATO's effectiveness, quite apart and independent from the question of its military equipment and capabilities. This is his question:

Do we have the will and the machinery for prompt decision-making with which to turn these weapons into live protection?

Even if when in a few years we have the mechanism of modern defense, is there any resistance to aggression, still less any deterrence, without a frictionless political mechanism to guarantee its use?

Mr. President, these are indeed crucial questions.

We cannot afford the self-delusion that somehow the ultimate decisions for which the NATO commands exist are military decisions. There can be no greater, more fundamental political decision than the choice between peace and war, between ultimatum and surrender. Whatever might be the best frictionless political mechanism, in Mr. Drummond's phrase, for making this political decision for the Atlantic Community, it certainly is not assured in the present, primitive development of NATO. Needless to say, this weakness in the organization of the West itself multiplies the danger of aggression at some moment when the opportunity may seem favorable. The possible consequences are graphically traced by Mr. Drummond's thoughtful article.

Mr. President, I ask unanimous consent that this article, entitled "Defeat by Default," and published in *Western World* for April 1958, be printed in the body of the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

DEFEAT BY DEFAULT

(By Roscoe Drummond)

(An examination of two vital questions: Can there be real deterrence unless we have the will to use nuclear weapons, if attacked? Has NATO the decision-making mechanism to enable it to work? How the worst could happen and how to prevent it. Roscoe Drummond is syndicated columnist of the New York Herald Tribune, former Director of Information in Europe for the Marshall plan and a member of Western World's editorial board.)

The Atlantic Alliance governments have thus far come to grips with only half the problem of common defense.

A bridge halfway across a stream is not very useful—and never inspires confidence.

True, plans are being made to equip NATO with the modern weapons needed to deter and, if necessary, resist aggression.

But, we ask in all seriousness, do we have the will and the machinery for prompt decision making with which to turn these weapons into live protection?

Even when in a few years we have the mechanism of modern defense, is there any resistance to aggression, still less any deterrence, without a frictionless political mechanism to guarantee its use?

Some months ago, an American newsmen asked a high European official why, he supposed, France was going to the expense and trouble of producing its own nuclear weapons.

"That's easy," he replied. "How long do you imagine Europe can afford to leave the decision whether or not it will be defended in the hands of a sick man 3,500 miles away? How can we Europeans be sure that such a man, however noble his intentions, will be able and willing to risk having New York and Washington obliterated just to keep the Russians from taking over West Germany or Norway or Italy? How can we be sure your President will accept the awful responsibility of using nuclear weapons and that NATO will act?"

To sharpen this issue, to enable the Atlantic Community better to accept its responsibility, we need to examine several divergent but entirely possible developments. Not because any one of them need happen. But the West must envisage the worst in order to have a chance of ensuring the best.

A GRIM VISION

It is the weekend of August 16-17 in the politically troubled summer of 1958. The autumn elections already preoccupy the United States. Governments in France and Britain are unusually unstable. There is an oppressive heat wave in America. It is dank and rainy and foggy in Europe. Congress, weary and divided, has just adjourned to prepare to go to the polls. Most Members are en route to their constituencies and top United States officials, civilian and military, are taking a breather outside humid Washington. President Eisenhower, seeking to recoup his strength, has just reached Coasters Harbor Island off the east coast and has gone to bed. NATO Supreme Commander, General Norstad, is visiting advanced Turkish positions under Mount Ararat and the Deputy Commander is in immediate charge at SHAPE.

The official—and the public—mood in Western Europe is immensely worried. The Soviets and their satellites have been holding combined maneuvers in East Germany and the other captive countries. And NATO intelligence feels suspicious about these maneuvers. In consequence, German security police and NATO forces along the east-west border are on semialert.

At 3:51 a. m. local time (9:51 p. m. in Washington) apparently isolated groups of Soviet infantry, backed by single tanks with heavy air cover, suddenly attack the German police and NATO forces on both sides of the Fulda gap north of Bavaria.

Within an hour fighting is general along a 30-mile front inside West Germany and gradually extends in both directions.

The thin NATO line is using tactical nuclear weapons which find only few targets. Slowly the NATO forces retreat.

At 6 a. m. central European time (midnight in Washington) all Communist radios—in Moscow, Warsaw, Prague, East Berlin, and the captured Bavarian radio station at Hof—briskly cut off all other broadcasts and start repeating the following announcement in all languages:

"The divided condition of Germany and the aggressive war preparations of German imperialist capitalists and their American masters have created a critical situation. The Soviet Union and its allies can no longer allow to continue a situation dangerous to world peace and the tranquillity of Europe. They have, therefore, reluctantly decided to liberate the oppressed West Germans and to unite Germany as a people's democracy.

"All Germans who cooperate with the liberators will be well treated.

"The liberating governments of the Warsaw Pact hope that the American administration will recognize the futility and the mortal danger of attempting to prevent the inevitable by nuclear bombing of the People's Democracies and the U. S. S. R. Long before the warlords of Washington can drop their first bomb, the U. S. S. R. will have destroyed—if compelled to do so—Berlin, Frankfurt, Bonn, Paris, The Hague, London, Madrid, and various American centers."

Followed by this:

"To all peoples—whether the present salutary action by the peace-loving U. S. S. R. remains a purely local, limited, defensive action or becomes a world holocaust brought on by the war-bent Americans—a holocaust that will destroy capitalism and make a shambles of the capitalist countries and their innocent subject peoples—is strictly up to the Western capitalists and their puppet politicians."

These messages are repeated every quarter of an hour.

Meanwhile North American radar has picked up what seem to be clusters of Soviet bombers hovering over the North Polar ice-cap, apparently ready to be sent into action.

By 9 a. m., German time, Soviet forces are 15 miles inside West Germany and picking up speed in their advance, with tanks thrusting ahead and their protective screen of jet bombers, itself shielded by a cloud of jet fighters which render NATO counter-bombing of the dispersed enemy contingents extremely difficult.

Such—we assume—is the situation.

Now, let it be understood that if the Soviets are bent on conquering West Germany, installing a puppet regime propped by the Red army, appropriating its vast industrial potentials and human skills even at cost of a nuclear war, then nothing NATO can do short of such a war will prevent it. We do not believe that the Kremlin will risk that war if it knows for sure that any sort of attack upon NATO countries will provoke it. The danger, in our opinion, lies in the fact that debates and hesitations inherent in free societies may induce Khrushchev or some successor to believe, as the Kaiser and Adolf Hitler believed, that the democracies will yield.

HOW WILL WESTERN GERMANY BE DEFENDED?

NATO, plus the United States Strategic Air Command, has a terrific mechanism of defense. Does it have a dependable mechanism for deciding to defend?

Does anybody know? Do we? Do the Russians? If not, should not our first task be to find out and let it be known? One way to start is at the point where we left off above—a Soviet attack on West Germany with conventional weapons only.

1. Despite the immediate penetration which the enemy forces are able to make by their superior thrust into West Germany, despite the absence of many important officers from SHAPE and high officials from various capitals, NATO proves itself prepared, and its preparations pay off. Notwithstanding its thinness, the NATO shield slows the attacker long enough to permit Washington to make the key decision in time.

The first messages from local commanders get through promptly to SHAPE in Paris, where General Norstad's deputy instantly orders all forces in Germany under SHAPE command into action and communicates the grim news within a matter of minutes to Washington, to the other NATO governments, and to General Norstad in Turkey where the message happens to catch him as he is setting out on an early horseback tour of Turkish installations. He is airborne toward Paris within 7 minutes.

At 11:17 p. m., eastern standard time, White House Press Secretary Hagerty wakes President Eisenhower. Faced with the decision of a lifetime, the President takes the news calmly and reacts with vigor. He will both save West Germany and restore immediate peace. The United States Strategic Air Command and other United States commands had been alerted. All United States military planes take to the air. Then the President dictates the text of a counterultimatum to the invading Communist governments, worked out in the course of a three-way telephone conference with Under Secretary of State Herter and the American Joint Chiefs of Staff. Next he orders Mr. Herter immediately to summon the NATO Ambassadors

and Chargés d'Affaires and communicate the counterultimatum to them.

THE SUCCESSFUL COUNTERULTIMATUM

Quickly the text is flashed to NATO headquarters in Paris where it is approved by the already convened Council of NATO Ministers. It is simultaneously transmitted to the NATO capitals. The United States Strategic Air Command bombers are on their way toward the Communist frontiers with orders to remain poised to attack targets chosen in advance the instant they receive the coded radio signal.

Thereafter Western radios are on the air without interruption, repeating and repeating so that there can be no doubt about transmission, the text of the NATO counterultimatum. It reads:

"The peoples and the governments of every North Atlantic Treaty nation have pledged their word that they will treat an attack on one as an attack on all. We intend to honor that pledge instantly and resolutely. The armed forces of the Soviet Union have crossed the frontier and violated the territory of the West German Republic. In warning the NATO countries that they must not defend themselves, the dictators of the Kremlin openly proclaim that they have invaded West Germany.

"Unless Soviet troops stop their forward movement, start withdrawing immediately and complete their withdrawal from all West German territory within 6 hours, the NATO powers, honoring their treaty obligations, will attack with all means at their disposal."

Meanwhile incessant broadcasts have alerted the Western peoples to the imminent danger of a hydrogen-bomb attack. At midnight President Eisenhower advises all United States citizens to seek bomb shelters or other available places below ground, taking with them such provisions as water, warm clothing, food and a portable radio, there to await his next message.

He also expresses his almost tearful hope to the world that the Kremlin will accept before too late, but he firmly explains that he has no alternatives but to surrender or to resist the Soviet invasion of our ally. He says the Soviet conquest of West Germany will mean the subsequent loss of all Western Europe and an ultimate attack on the United States. Whatever the circumstances, he points out, Americans have never yielded to the threats of a bully or to a dishonorable fear. They will not do so now. It is up to the Kremlin to end its aggression or to take the responsibility for the awful consequences.

This counterultimatum is successful. A pale Khrushchev personally tells the American Ambassador that he is yielding in order to save mankind. The Communist radios begin announcing the truce every quarter hour on all wavelengths. Within the deadline NATO commanders report a Soviet ceasefire, the retreat of Soviet tanks and planes, and a steady withdrawal of Soviet forces beyond the West German frontier.

The world is saved.

IF THE WEST WAVERS

2. The same attack under the same circumstances with the same ultimatum to Washington: "Accept the Soviet conquest of Germany or take the responsibility of starting hydrogen war I and bringing down massive death and destruction to the American people and American cities."

The plate glass NATO forces slow down the invading enemy but are unable to prevent the invaders from taking over most of West Germany. The NATO leaders delay their answers. At that point, Moscow presents the West with a fait accompli and a promise to stop at the Rhine and asks:

"Are you prepared to see London, Paris, and Rome destroyed in order to try to save Bonn?"

And to the President of the United States: "Is West Germany worth 40 million American casualties?"

Neutralist, pacifist, peace-at-any-price sentiment begins to well up in Western Europe. Political voices crying that humanity must be saved at any cost bring pressure on the principal governments and appeals go across the Atlantic imploring the American President to accept the Kremlin's ultimatum.

American opinion is divided: The American Cabinet is divided. Some who have talked toughest against communism urge capitulation as the only humane course.

The American leaders, including the President, give heed. They waiver.

True, the North Atlantic Treaty pledges each member to treat an attack upon one as an attack upon all. West Germany has been attacked. The treaty leaves it to each how it shall respond to attack.

The Soviet Union had no hydrogen bombs when the North Atlantic Treaty was signed. Is Germany really worth 40 million American casualties?

Washington decides: It will live up to its NATO obligation by fighting a limited aggression with limited weapons.

And within 17 hours the Kremlin has established a satellite government in Bonn which cannot be expelled by conventional forces.

3. The West loses for lack of an American President.

Mr. Eisenhower has had three serious illnesses:

Under American law the President, and only the President, can under most circumstances authorize the use of the hydrogen bomb. (The law is the same in Britain, stipulating that the Prime Minister alone can make the decision.)

Suppose there occurs the same attack under the same circumstances with the same ultimatum to the NATO capitals: Submit—or else.

And the American President is in the hospital and unable to act.

The invasion of Germany goes forward. The Vice President and the Joint Chiefs of Staff hesitate. The issue raised by this attack does not seem sufficiently clear-cut to permit the American military leaders to authorize the use of nuclear weapons without explicit White House approval.

Time runs on. More of Germany is occupied. No word comes from Washington. Soviet positions of strength are securely occupied.

It is too late. Germany goes by default. NATO expires.

THE WITHERING OF FREEDOM

What could follow? One might forecast these consequences: Possession of West Germany no more appeases Khrushchev than Czechoslovakia satisfied Hitler. Continental Europe no longer has any will to resist. Communists try to take over in France and Italy—relying upon Soviet pressures to help them. Sweden, Norway, and Denmark, the Netherlands, and Belgium beg the Kremlin for Finnish status. Europeans in Algeria secede from Communist-dominated France. All north Africans join in attacking those Europeans.

Red China overflows into southeast Asia.

And at this point, Britain and the "white" commonwealth seek federation with the United States in the same spirit as Churchill offered federation to France in June 1940. Nothing is left outside the Kremlin's vast empire but an outmanned, outflanked, outproduced, underequipped, isolated, waning and withering bastion of freedom.

All because West Germany has gone by default.

PROGRESS IN FIELD OF CANCER RESEARCH

Mr. NEUBERGER. Mr. President, unravelling the frightening enigma of malignant growth is the major health

problem faced by present-day civilization. Everyone is cheered, in my opinion, whenever a new ray of hope emerges for an early solution of cancer. A few days ago Dr. H. J. Rand, president of Rand Development Corp. of Cleveland, brought to my attention material presented at the recent meeting of the American Association for Cancer Research indicating an additional breakthrough in one phase of cancer research which occupies the talents and facilities of medical centers in all parts of the Nation.

According to newspaper reports received about a paper prepared by Dr. Sergio DeCarvalho for the association's meetings, headway has been made in isolating and identifying cancer-creating particles and in development of cancer-retarding vaccine. I have been impressed by the material received from Dr. Rand and of the reports on the work of Dr. DeCarvalho, not only because of their scientific approach, but because of the conservative tone of their presentation. Their reticence in making claims of discovery seems to reflect a desire on their part to understate the importance of what they may have achieved.

So that the Senate may know of an encouraging report on cancer research made in the last few days in Philadelphia at the meeting of the American Association for Cancer Research, I ask unanimous consent to have printed with my remarks two excellent articles which were published in the Cleveland Plain Dealer on Sunday, April 13, and Monday, April 14, and also an editorial published in the same newspaper.

There being no objection, the articles and editorial were ordered to be printed in the RECORD, as follows:

[From the Cleveland Plain Dealer of April 13, 1958]

CLEVELANDER LIFTS HOPE OF EFFECTIVE CANCER VACCINE

(By Josephine Robertson)

PHILADELPHIA, April 12.—Evidence that human cancer may represent a virus infection which can eventually be defeated by the right vaccine was given here today by Dr. Sergio DeCarvalho, of Cleveland.

Dr. DeCarvalho's report may represent a major scientific break in cancer research. It will be for other researchers to prove or disprove his findings, in the interest of truth and the service of man.

Addressing the American Association for Cancer Research at Hotel Sheraton, he said cancer agents (or viruses) had been separated from leukemia cells of 14 patients and from 11 solid cancers of other human beings.

This is believed to be the first report of the isolation of such agents from various types of human cancer. Virus infection as a cause of cancer in plants and lower animals has been proved.

When the agents described by Dr. DeCarvalho were injected into normal human cells growing in test tubes, they multiplied and destroyed the cells. When a vaccine was prepared with antibodies against the cancer and was used in the test tubes, the cancer agents multiplying there were destroyed, according to the report.

The Clevelander is a researcher in the department of pathology at Doctors Hospital and director of cancer research at the Rand Development Corp.

"Electronic microscopic studies of these agents showed they were spherical, rod-shaped or crystalline," he said. "Their size and mode of aggregation, however, varied

with the type of leukemia or tumor from which they originated."

This would appear to strengthen the theory that cancer is not one disease but many, in this case not one infection but many. The conquest of cancer, therefore, could imply the development of many vaccines.

The term "virus" was not used in Dr. DeCarvalho's report, but rather "self-duplicating particulate agents," a cumbersome designation but one which avoided "virus," which at present is ill-defined.

His report, however, was considered evidence supporting the virus theory of the origin of cancer.

The theory is old, dating at least as far back as 1903, when A. Borrel, a Frenchman, suggested it. But it was not a popular theory, especially because many experiments designed to show the presence of viruses in human cancers failed to do so.

Although viruses were demonstrated to cause cancers in both plants and animals lower than man, it was argued that "mice and tobacco plants are not man" and what applied to them should not be applied to man when there was no proof.

Now, however, it is pointed out that many viruses are so exceedingly small that until recently techniques and instruments were inadequate for providing or disproving their presence in human cancers.

Viruses are measured in millimicrons or with a measuring rod equal to about one twenty-five-millionth of an inch. Many are so small in terms of the average length of visible light waves that they are unable to obstruct and reflect light.

It requires the electron microscope to reveal the contours of their ultra smallness, and a special refrigerated centrifuge to separate them from the relative grossness of a cancer cell.

Dr. DeCarvalho reported the cancer agents were separated from the cancerous material by high-speed homogenization with a fluorocarbon.

The speed was said to be 45,000 revolutions per minute. The fluorocarbon, a heavy chemical, came out on the bottom, and a ring of protein came next. On top was clear fluid containing the virus.

This fluid was then passed through filters. What went through the filter yielded the "particulate material" or viruses.

In the culturing of the human cells in the test tube and the growing of the viruses in them, advantage was taken of techniques used in the development of polio vaccine. The human cells cultured were amniotic ones—that is, from the innermost membrane of the sac that holds the human embryo.

Antibodies were prepared from rabbits and goats about a month after the animals had been injected with the cancer virus. This period gave time for their blood to develop strength or titer of antibodies against the virus. The development of antibodies in blood is a primitive defense of nature against invading agents of infection. The antibodies are soldiers that attack invaders.

Dr. DeCarvalho said the antibodies arrested the development of the cancer agent in the test tube. When antibodies were tested on leukemic cells they were said to cause rapid clumping and disintegration.

The doctor said a vaccine against leukemia had been prepared and was being used experimentally in a few patients with that disease.

Most of the research was done at the laboratories of the Rand Development Corp. Twenty persons have had a part in the project and its cost to date has been in the neighborhood of \$250,000. J. H. Rand, president, said after the meeting.

The work reflects a greatly increased interest in the theory of the viral origin of cancer.

Recently Dr. Wendell Stanley of the University of California, who shared a Nobel

prize in chemistry in 1946, said he believed that viruses were involved in human cancer and that extensive studies should be made on that hypothesis.

In January of this year, Dr. Ludvik Gross of the cancer research unit of Veterans' Administration Hospital, Bronx, N. Y., gave his working concept of this viral origin of cancer. He suggested that viruses of cancer could be passed on from generation to generation as apparently harmless agents, but with the ability to become activated or triggered by hormonal or metabolic stimuli or by accidental factors such as exposure to chemical poisons or ionizing radiation.

Dr. Charles Oberling, chief of the experimental department of the Cancer Institute in Paris, a proponent of the viral theory, cited the fact that colon bacilli and many other microbes live inside the human intestinal tract, as reason to believe it possible for viruses, infinitely smaller, to remain indefinitely inside human cells.

In 1944 Dr. Francisco Duran-Reynals and Dr. Edward White Shrigley of Yale University gave a paper presenting arguments for the virus theory at a meeting of the American Association for the Advancement of Science. In it they said the properties of viruses and virus infections fitted the facts known about cancer very well.

They indicated this theory resolved the puzzle of the many so-called causes of cancer. They suggested that such things as radiation, chronic irritation, and chemicals might represent merely the environment which "set the stage for the action of some causative agent."

The concept of a virus is a changing one. Some have believed the virus to represent a bridge between chemistry and biology. Does it represent chemistry that under certain conditions takes on life? Does the power of duplication imply life? One thing is certain: that it becomes active only when inside a living cell.

Many questions need answering before the language of the new science, virology, is effective and scientists can communicate with more clarity.

Whether the answer to cancer is to be found chiefly in the fields of virology and immunology will be for future research to determine.

[From the Cleveland Plain Dealer of April 14, 1958]

HOSPITALS SET TO TEST CANCER VIRUS THEORY (By Josephine Robertson)

PHILADELPHIA, April 13.—On the theory that cancer in man represents a virus infection, the cancer research laboratory of the Rand Development Corp. of Cleveland, expects to develop a human study program involving a number of large hospitals in this country and Europe.

Dr. Sergio DeCarvalho, head of the laboratory and hematologist at Doctors Hospital, Cleveland Heights, said the cooperation of these hospitals already had been enlisted.

The doctor is here for the 49th annual meeting of the American Association for Cancer Research, Inc., at the Sheraton Hotel. He is believed the first to report the separation of cancer agents from various kinds of human cancers.

In a paper on this subject he said the agents multiplied inside human cells grown in test tubes, but were destroyed when antibodies to the cancer were used. Antibodies are infection fighters.

His theory implies that in time it may be possible to immunize against cancer as against polio, measles or other viral infections.

In an interview today he said that his tissue culture studies in test tubes had been verified by an important scientific group and that he felt his feet were on a small solid scientific rock but a very slippery one.

With the help of clinical investigators in the cooperating hospitals, it is planned to explore the possibility of protecting people against cancer by antibodies.

TWO METHODS

The doctor explained that antibodies used in immunizing a person may be produced by the blood of that person as when polio vaccine is used, or by the blood of an animal injected with the agent of the infection as in measles.

In the latter case the immunizing material is technically called immune serum. In a general sense it, too, is a vaccine in that it contains antibodies. These are produced in the blood of both man and animals as nature's defense against infection.

Both methods of producing antibodies to human cancer will be explored, through human and animal research, according to Dr. DeCarvalho.

He said another part of the research program would consist of an exploration of the chemical and biological properties of the cancer agents.

Asked whether an attempt had been made to see whether these agents would cause cancers in animals, he answered that no conclusive experiments had been done along this line.

He added that even if such cancers were produced in animals it could be argued that they were not human cancers. He said he thought it more important for him to study cancer in man than in mice.

CAME HERE IN 1954

Dr. DeCarvalho, formerly associate professor of history in the School of Medicine, University of Lisbon, Portugal, came to Cleveland in 1954.

He had been in correspondence with Dr. Cecile Leuchtenberger of Western Reserve University's School of Medicine. This correspondence, on the subject of cell chemistry, led to his coming to Cleveland as hematologist in the pathology department of Doctors Hospital. This department is headed by Dr. Rudolf Leuchtenberger, husband of the WRU faculty member.

On learning that James H. Rand, trustee of the hospital and president of the Rand Development Corp., was interested in cancer research, Dr. DeCarvalho paid him a call. He told Rand about a viral research project he was undertaking at the hospital laboratory.

"Mr. Rand saw the whole thing immediately and gave his support from the first, without reservation," Dr. DeCarvalho said.

"He made every effort to get the right support, including his personnel at his plant. He had a laboratory built there and equipped for our needs. He hired sufficient technical assistance. He provided animals and facilities and personnel for animal studies.

"Dr. S. Z. Cardon, expert biochemist, and Ted Jayne, an outstanding electron microscopist, who were already on his staff, have given their full cooperation.

"Because of Mr. Rand's vision and help more has been accomplished in the last year than in the previous three."

Rand's first interest in cancer research began when he was 17. He produced and studied cancers in tadpole tails.

He studied medicine for 2 years at the University of Virginia, later spent 2 years in research on viral cancers at Charity Hospital, affiliated with the University of Berlin in Germany. The studies were headed by Dr. Hans Auler, professor of cancer research.

Since then Rand has headed research on the cancer-causing effects of cigarette paper and developed a paper which his experiments show does not have such adverse effects. This work was confirmed by representatives of the French Government, which is producing the paper on an experimental basis.

Dr. DeCarvalho's project to date has cost about \$250,000.

HAS A START BEEN MADE AGAINST CANCER?

One of the most interesting stories of the recent past for many readers, we suspect, was the cancer agent discovery of a Cleveland doctor reported yesterday by the Plain Dealer's Josephine Robertson.

In Philadelphia for a meeting of the American Association of Cancer Research, she outlined the breathtaking research by Dr. Sergio DeCarvalho and others for the Rand Development Corp., of Cleveland. That research indicates that these cancer agents (or viruses) had been isolated from various types of human cancer, the first report that this had been done.

The great interest displayed in Dr. DeCarvalho's account at the meeting showed that the medical and research experts present felt that the work done here may be a major breakthrough, a possible road down which new discoveries leading to cancer vaccines may be beckoning.

As far as laymen can tell, we may begin to hope that cancer research is approaching the same point where polio investigation was when Cleveland's Dr. Robbins and Dr. Enders of Harvard made their virus breakthrough, which was followed by the Salk vaccine.

But we must caution ourselves not to be overoptimistic; there is much work to be done, very costly work, and there will be many persons still dying of cancer until it is completed, and beyond.

On the subject of the costly work to be done, it's worth pondering that the Rand lab, a private and commercial organization, has spent more than \$250,000 for its investigations. Its generous publication of Dr. DeCarvalho's findings, for which it deserves a deep bow, means that someone else, checking, seeking, and finding may capitalize later on a vaccine discovery.

The Rand Development Corp. has had its request for a grant for cancer research before the National Institutes of Health, without action. That request should be given fullest consideration. The fact that the Cleveland laboratory is a private research agency certainly should not be held against it, and its current discovery should speak loudly in its behalf.

Hope for cancer vaccine is certainly brightening, but it needs to be repeated constantly, during Cancer Week and every week, that medical science now can do a great deal in preventing much suffering and saving many lives through early discovery of cancer, through regular trips to physicians and an immediate visit in the event there is any reason for suspicion of the disease.

Certainly it is folly for anyone in the early stages of the insidious killer to wait for vaccine cure, when present techniques may save him.

RURAL ELECTRIFICATION PROGRAM

Mr. JOHNSTON of South Carolina. Mr. President, in a large sense this is an age of power—electrical power—and every day we witness its service to mankind.

On the farm, in the home and factory, in the crowded city, and in the isolated community, we find electrical energy aiding man in his daily tasks.

The story of electric power is the story of American growth, progress, unmatched productivity, all translated into national power. Electricity has helped make our Nation great.

But the measure of our achievements should be only the guide to our future goals. No nation remains great when it

rests, or, if you please, rusts, on its oars. New eras have new goals, and accomplishments of the past serve best when they inspire us to reach brighter horizons.

Mr. President, I hope we will never see the time when we will sit back in smug complacency and say: "The task of realizing the American dream of total electrification is finished. Nothing more needs to be done." Such an attitude, if we are held captive to it, will be but a prelude to national decline.

I am prompted to these thoughts as I consider the subject of rural electrification. Time was when this program, which has done so much that is practical and good for so many of our people, was scorned as visionary. Its very concept was described as dangerous and menacing to our democratic way of life. To hear its opponents talk, the heavens would fall in if rural electrification became a reality.

We know, of course, that such talk was ill founded. We know there was no foundation in fact for such charges; we know that this REA program which was denounced as an economic evil has proved to be an economic boon. Through REA the rural people of each community have been able to bring electrical power to their homes and farms where it otherwise could not have been available at practical and feasible rates.

I remember well when over 90 percent of our rural homes and farms were without electricity. It was when I was Governor of South Carolina in the early thirties, that I went to the late President Franklin D. Roosevelt and obtained from him Federal funds to set up the first rural electric cooperative study for my State. Later the first rural electric co-operatives were developed, and today over 90 percent of the rural homes and farms in South Carolina have electricity. Darkness has been turned to light for them.

But every day more and more rural homes are being built and there is more and more need for additional power. We should not rest until every home in America is electrified.

Our population is increasing at such a rate that we are destined to be a nation of more than 228.5 million people by 1975. Even now the Census Bureau is preparing a report which will even up the estimates which were made in 1956. It was not so long ago that we used to talk about America being a Nation of 130 million people.

The Department of Commerce has a very interesting animated exhibit which shows how our population is increasing. The figures, compiled by the Census Bureau, show that in the United States there is a birth every 7½ seconds as compared with a death every 20 seconds.

Project these figures across several decades and we get an idea of America's population growth. Intelligent national planning requires that we make wise provision for this greater America and these growing communities of Americans.

In the light of the figures I have just given we can probably best understand that the demands upon the Rural Elec-

trification Administration facilities double every 5 to 7 years. In view of such heavily increased demand it is understandable that power service to large numbers of our people will not be available unless we have a forward-looking REA program that will allow planning and development to meet future requirements.

In other words, if we go along providing merely for a minimum program each year, then the time will arrive, and quickly, when ever so many applicants are going to be short-changed because there will not be adequate facilities to meet their needs.

The money the Government advances to cooperatives for participation in the rural electrification program is money well invested. I know that all the co-ops in my State are paying back every cent they borrowed, and many are paying back their loans years ahead of schedule. The Nation gets back dividends manifold. Not only does REA bring benefits in better living to vast numbers of our citizens, but it materially increases productivity on the farms, improves communications in rural areas, through rural telephone systems, and results in the purchase of electrical appliances at the rate of about \$5 in purchases for every \$1 invested in equipment.

Mr. President, it is interesting to see how the benefits of electricity have been made available to millions of consumers since the establishment of REA in 1936. In the period from 1936 to 1957 the miles of lines energized have increased from 400 to 1,500,000. In like manner the number of consumers connected for electric service has increased in this same period from 693 to 5 million. Think of all the economic progress, better living, and increased productivity represented in this growth of REA service.

And this has not been achieved by Federal handouts; it has been accomplished by loan financing with total repayments of \$929 million from 1936 to 1957. The human values accruing from the REA program far exceed the dollar investment of the Government, not to mention the rich returns represented by the resulting economic benefits.

There are those who say, "Well, this is all well and good, and although we didn't favor the REA program in the first place, we are now ready to admit it has been worth while, but—"

They then say, "The REA is now reaching the saturation point with virtually 94.2 percent of the Nation's farms receiving central station electric service." These good folk, however, leave out of their reckoning the very important fact, as I said before, that demand upon REA doubles every 5 to 7 years. And in the name of good planning for the welfare of our people, we must put REA in such a position that it will have the funds for facilities so that this doubled demand can be serviced. We must maintain existing facilities and meet growing needs in order to protect our investments and also to keep our entire Nation and economy strong.

It is bad enough to fail to start a sound venture in the public interest, but it is

doubly bad to cut off a venture such as REA, which over 20 years has proved itself sound in the public interest by every fair test. And let me utter the warning now that there are forces at work here in Washington which would destroy REA and our co-ops at the slightest excuse.

I have often said, and I am glad now to repeat, that I regard the farmer as the backbone of the American economy and of the Nation, and REA has been an effective tool for the farmer's betterment, and at no cost to America. It is an investment program, and not a giveaway or subsidy, as some would try to make the people believe.

Mr. President, I say we must be on guard against any legislative proposal which would serve to torpedo the great gains REA has achieved over the past several decades. We must be alert to any measure which would shackle REA and act to prevent its natural and healthy growth dictated by increased demands for its service. We must show our people that all Americans are stronger, healthier, happier, and richer as a result of rural America being electrified.

In safeguarding the interests of rural America, we are protecting the bulwark of American democracy. We must not permit the welfare and living standards of rural America to be subordinated to the desires of a few selfish individuals, or to be scuttled by the Wall Street bond brigade, with their Madison Avenue slogans, who are now itching to get their hands on REA financing.

ORDER FOR ADJOURNMENT TO MONDAY

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that when the Senate concludes its business today it stand in adjournment until 12 o'clock noon on Monday next.

The PRESIDENT pro tempore. Without objection, it is so ordered.

LEGISLATIVE PROGRAM FOR NEXT WEEK

Mr. JOHNSON of Texas. Mr. President, I should like to announce the planned legislative program for next week. In addition to bills previously announced as ready for floor action, we hope to be able to act upon the military pay bill, H. R. 11470, and S. 2888, the bill from the Labor and Public Welfare Committee dealing with welfare fund regulations.

It is also expected that we will act upon Calendar No. 1458, House Joint Resolution 588, the advance procurement appropriation bill.

It is also expected that some time next week we will be able to act upon Calendar No. 709, Senate bill 2127, to amend section 3 (d) of the Federal Employees' Group Life Insurance Act of 1954 relating to the reduction in amounts of insurance of persons over the age of 65, and Calendar No. 861, Senate bill 1483, to amend the act of August 27, 1954, relating to the rights of vessels of the United States on the high seas and in the territorial waters of foreign countries.

I have informed the distinguished minority leader as to the planned legislative program for next week.

FOURTH ANNUAL REPORT OF INVENTORY ON DELINQUENT FEDERAL TAXES

Mr. WILLIAMS. Mr. President, today I shall incorporate in the RECORD the fourth annual report of the inventory on delinquent Federal taxes.

Three years ago upon my request the Treasury Department initiated an inventory of all types of delinquent taxes as of the end of each year, with the report broken down as to districts and types of delinquencies.

The itemized report will be incorporated in the RECORD along with a statistical breakdown showing the percentage change in total tax delinquencies and in employment tax delinquencies for each of the 64 districts.

A comparison of this 4-year report gives a clear picture of the trend of these delinquencies with special emphasis upon those districts which are showing good progress in collections as well as pointing out those districts in which collections were poor.

The total amount of all delinquent taxes has declined from \$1,619,629,000 to \$1,504,709,000, representing a decrease of \$115 million over last year's figure, or a reduction of 7 percent; however, during this same period the delinquencies in employment taxes have increased \$21.5 million—from \$279,183,000 to \$300,678,000.

In rendering the report, however, the Treasury Department recognizes this increase in employment tax delinquencies and states that it believes that the new penalties specified in the recently enacted Public Law 321 will be an effective deterrent to a further accumulation of delinquent employment and excise tax items.

By far the worst showing is in the Chicago office. Employment tax delinquencies in the Chicago area have increased 56.9 percent during the past 12 months, and this comes on top of increases of 24.3 percent and 30.8 percent for 1955 and 1956, respectively. Within the past 4 years, since these statistics have been published, employment tax delinquencies in Chicago have risen from \$12.8 million to \$32.6 million, or approximately 250 percent. At the same time the total tax delinquencies for that area have increased from \$81.6 million to \$154 million, or nearly double. It is interesting to note that this poor showing developed in an office in which the director only a couple of years ago was dismissed under serious charges, and the continuation of the trend shows that the situation in that area is far from being under control. Unquestionably the Treasury Department should give this office its careful scrutiny.

Other offices in which increases or decreases of over 20 percent have occurred are as follows:

In Augusta, Maine, while employment tax delinquencies remain about the same, total delinquencies have increased 36.4 percent.

In Hartford, Conn., employment tax delinquencies have increased 34.8 percent while total tax delinquencies have increased 27.3 percent. This latter increase practically wipes out last year's decline.

Portsmouth, N. H., and Providence, R. I., while registering slight increases in delinquent employment taxes, did show a substantial tax decrease in overall tax delinquencies, with Portsmouth reporting a 49.7 percent reduction and Providence a 44.8 percent reduction.

Employment tax delinquencies in Buffalo, N. Y., increased 23.6 percent; and while in 1956 a 4.7 percent decline was shown, the record also shows that in 1955 they had reported a 24 percent increase in the same category.

Camden, N. J., registered a 21.6 percent increase in employment tax delinquencies, which increase comes on top of a 10.9 percent increase for 1956 and a 27.1 percent increase in 1955.

Newark, N. J., Philadelphia, Pa., and Pittsburgh, Pa., all reported substantial declines in total tax delinquencies, amounting to 30.3 percent, 26.7 percent, and 32.1 percent, respectively. At the same time, employment tax delinquencies in all three offices declined, with Pittsburgh's reduction exceeding 26 percent.

In Scranton, Pa., the total tax delinquencies increased by 23.9 percent.

In Parkersburg, W. Va., and in Richmond, Va., total tax delinquencies declined 24 percent and 34.4 percent, respectively.

In Toledo, Ohio, total tax delinquencies increased by 28.6 percent.

Greensboro, N. C., reported a reduction in total delinquencies of approximately \$7.5 million, or 33 percent.

In Jacksonville, Fla., employment tax delinquencies are still increasing at a dangerous rate. In 1957, they increased from \$6.5 million to \$8.5 million, or approximately 29.8 percent. This figure is practically double that in the first report in 1954.

Cheyenne, Wyo., reports a reduction in 1957, in employment-tax delinquencies, of 22.3 percent, although the total tax delinquencies for the same office increased 17.5 percent.

In Omaha, Nebr., employment tax delinquencies increased by 10.7 percent, while at the same time total tax delinquencies declined \$800,000 or 22.9 percent.

St. Paul, Minn., reports another 21.3 percent increase in total tax delinquencies, on top of a 20.8 percent increase last year.

Dallas, Tex., reports an increase in employment tax delinquencies of 30.4 percent, along with a 5.7 percent increase in total delinquencies.

Boise, Idaho, which last year reported a 13.1 percent reduction in employment tax delinquencies, this year reported a 24.8 percent increase.

Los Angeles, Calif., reported an increase in employment tax delinquencies of approximately \$4 million, or 25 percent, along with an \$8 million increase in total tax delinquencies, or 11 percent. In that area, employment tax delinquen-

cies during the past 4 years have increased over \$7 million, or from \$13.3 million to \$20.7 million, while during the same period the total delinquencies for that same office declined about \$12 million.

In Puerto Rico delinquencies in both employment tax and total tax are still increasing at a dangerous rate. The rate of increase, however, is not as great in 1957 as it was in 1955, during which year they showed a 72-percent increase in employment tax delinquencies and a 127.4-percent increase in total delinquencies.

A careful examination of this report shows the areas which are making progress and those represented as trouble spots and in need of attention.

Certainly we should all be concerned by the alarming trend in employment tax delinquencies, as reported during the past few years, especially when this increase is taken into consideration with the fact that during the past 6 years another \$140 million in employment tax delinquencies have been written off as uncollectible items. Furthermore, employment-tax delinquencies have increased from \$254 million in 1954, to \$300 million in 1957. This trend certainly justifies Congress' having enacted Public Law 321, establishing more severe penalties for employers who refuse to turn these withheld taxes over to the Government.

It must be remembered, in speaking of employment tax delinquencies, that we are speaking of income and social security taxes which have been withheld by the employer from the pay envelopes of his employees. They are trust funds, and under no circumstances should they have ever been considered as belonging to the employer or as representing funds which he could divert to his own use.

In previous reports, many glaring examples of the abuse of this principle by certain employers have been called to the Senate's attention, although it should be pointed out at the same time that the overwhelming majority of the American employers have always forwarded regularly to the Treasury Department all funds withheld from their employees. It is only a minority who fail to recognize their responsibilities as collectors of these trust funds to turn the money over to the Government that necessitated the need for establishing greater penalties in such cases.

I ask unanimous consent that the letter and the report submitted by the Treasury Department under date of March 27, 1958, signed by Mr. O. Gordon Delk, Acting Commissioner of Internal Revenue, along with a statistical breakdown of the 4-year record of the various offices, be incorporated at this point in the RECORD.

There being no objection, the letter and tables were ordered to be printed in the RECORD, as follows:

UNITED STATES TREASURY DEPARTMENT,
Washington, March 27, 1958.

HON. JOHN J. WILLIAMS,
United States Senate, Washington, D. C.

MY DEAR SENATOR: In answer to your request of January 20, 1958, we are enclosing

two tabulations pertaining to the inventory of taxpayer delinquent accounts. One tabulation shows a breakdown by tax group and the other a distribution of the inactive accounts by suspense category. Both tabulations provide data as of December 31, 1957, and as of December 31, 1956.

During 1957 the dollar value of the inventory of taxpayer delinquent accounts was reduced from \$1.620 billion at the end of 1956 to \$1.505 billion at the end of 1957. The amount of the income-tax inventory decreased by \$149 million, but increases of \$21 million and \$13 million, respectively, occurred in the employment and other tax groups. The number of taxpayer delinquent accounts was reduced slightly from 1,560,685 at the end of 1956 to 1,554,876 at the end of 1957. There was a reduction of 31,887 accounts in the income-tax group, with respective increases of 20,505 and 5,573 in the employment and other groups.

We believe that the new criminal penalty specified in Public Law 85-321, administration of certain collected taxes, will be an effective deterrent to the future accumulation of delinquent taxes in the employment and excise tax areas.

An additional table, which follows, contains a summary, as of December 31, 1957, and 1956, of the taxpayer delinquent accounts assigned to the field for collection.

The amount of active accounts on hand December 31, 1957, \$944 million, is higher than a year ago, while the amount of inactive or suspense accounts is lower. The number of active accounts increased from the end of 1956 to the end of 1957, but a reduction was effected in the inventory of inactive accounts.

Delinquent accounts assigned to field for collection

	Active	Inactive	Total
Amount (thousands):			
Dec. 31, 1957.....	\$944,256	\$560,453	\$1,504,709
Dec. 31, 1956.....	926,567	693,062	1,619,629
Change from Dec. 31, 1956, to 1957.....	+17,689	-132,609	-114,920
Number:			
Dec. 31, 1957.....	1,395,035	159,841	1,554,876
Dec. 31, 1956.....	1,372,642	188,043	1,560,685
Change from Dec. 31, 1956, to 1957.....	+22,393	-28,202	-5,809

As of December 31, 1957, there were only 3,076 accounts, representing \$2.8 million, which were of delinquent age but not assigned to the field for collection. This re-

flects a substantial reduction from the 13,871 accounts and \$8.8 million unassigned a year ago.

The table below shows the reduction in the assigned inventory of delinquent accounts, the reduction in the inventory of accounts of delinquent age but unassigned, and the net result of combining the two categories.

Delinquent accounts assigned and unassigned

	Assigned	Unassigned	Total
Amount (thousands):			
Dec. 31, 1957.....	\$1,504,709	\$2,790	\$1,507,499
Dec. 31, 1956.....	1,619,629	8,817	1,628,446
Change from Dec. 31, 1956, to 1957.....	-114,920	-6,027	-120,947
Number:			
Dec. 31, 1957.....	1,554,876	3,076	1,557,952
Dec. 31, 1956.....	1,560,685	13,871	1,574,556
Change from Dec. 31, 1956, to 1957.....	-5,809	-10,795	-16,604

Very truly yours,

O. GORDON DELK,
Acting Commissioner.

Inventory of taxpayer delinquent accounts by tax groups, December 1957 and 1956

Region and district	Income				Employment				Other				Total			
	Number		Amount (thousand dollars)		Number		Amount (thousand dollars)		Number		Amount (thousand dollars)		Number		Amount (thousand dollars)	
	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957	1956
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
National total.....	1,112,989	1,144,876	1,077,348	1,226,286	377,253	356,748	300,678	279,183	64,634	59,061	126,683	114,160	1,554,876	1,560,685	1,504,709	1,619,629
Atlanta.....	87,299	89,892	76,318	90,981	33,845	31,469	19,453	16,924	8,354	6,683	15,785	14,524	129,498	128,044	111,556	122,430
Boston.....	53,920	53,917	33,821	41,247	18,842	17,818	15,398	15,148	2,154	2,594	2,109	2,109	73,889	51,812	58,504	58,504
Chicago.....	236,227	209,639	167,148	157,808	64,000	49,376	52,424	38,642	10,350	8,277	27,289	17,407	310,577	267,292	246,861	213,917
Cincinnati.....	108,497	117,031	85,975	107,594	26,082	25,941	17,424	17,132	5,618	4,594	10,873	8,186	140,197	147,566	114,272	132,912
Dallas.....	65,539	57,184	39,298	44,076	26,774	22,438	14,496	12,618	5,167	4,558	6,825	5,913	97,480	84,180	60,619	62,607
New York City.....	207,733	212,194	344,500	405,637	98,360	98,203	85,056	84,391	12,477	12,996	27,110	25,667	318,570	323,393	456,666	515,696
Omaha.....	46,095	45,751	44,833	47,928	18,072	17,680	10,527	10,059	3,354	2,968	4,684	4,200	67,524	66,399	60,044	62,187
Philadelphia.....	144,770	189,781	122,095	169,388	40,922	48,104	42,158	45,265	8,314	9,019	18,388	21,509	194,006	246,904	182,642	236,162
San Francisco.....	150,798	156,705	146,509	144,759	48,872	44,215	43,298	38,562	8,593	7,777	12,987	14,565	207,863	208,697	202,794	197,886
Atlanta region:																
Atlanta.....	18,054	17,927	12,479	11,198	5,864	5,540	3,829	3,432	1,410	1,246	2,664	2,450	25,328	24,713	18,972	17,080
Birmingham.....	10,871	12,179	11,011	13,643	3,826	3,658	1,772	1,880	1,289	943	6,106	6,446	15,986	16,780	18,889	21,969
Columbia.....	9,201	8,981	2,924	4,019	2,938	3,311	948	850	1,200	910	500	544	13,339	13,202	4,462	5,413
Greensboro.....	11,279	12,242	11,989	19,367	4,922	4,336	2,023	1,957	1,397	1,118	860	898	17,598	17,666	14,872	14,872
Jackson.....	5,042	3,758	1,830	1,776	1,634	1,321	684	656	553	292	461	313	7,229	5,371	2,975	2,744
Jacksonville.....	23,650	25,266	26,902	31,870	11,447	10,203	8,519	6,562	1,673	1,493	3,850	3,114	36,770	36,962	39,272	41,546
Nashville.....	9,202	9,539	9,182	9,110	3,214	3,100	1,679	1,587	832	681	1,254	760	13,248	13,320	12,115	11,457
Boston region:																
Augusta.....	2,566	2,259	1,421	886	1,185	1,138	543	543	276	185	68	59	4,027	3,582	2,032	1,489
Boston.....	26,336	25,661	20,400	25,876	8,826	9,477	8,597	9,632	1,077	1,199	1,258	1,387	36,239	36,337	30,255	36,896
Burlington.....	1,271	1,214	339	396	510	421	236	201	155	79	29	87	1,936	1,714	604	685
Hartford.....	17,485	17,324	9,358	7,990	5,156	4,079	4,317	3,202	547	380	897	254	23,188	21,783	14,572	11,445
Portsmouth.....	1,703	2,198	529	1,597	718	829	347	315	135	117	142	36	2,556	3,144	1,018	1,948
Providence.....	4,599	5,261	1,774	4,502	2,447	1,874	1,358	1,254	153	194	199	285	7,169	7,329	3,331	6,041
Chicago region:																
Chicago.....	139,568	114,282	105,805	89,313	35,678	24,597	32,698	20,829	5,550	4,578	15,582	10,829	180,796	143,457	154,085	120,971
Detroit.....	72,433	74,677	48,832	53,558	20,538	16,871	15,168	13,328	2,578	2,234	4,370	4,078	95,549	93,782	68,369	70,964
Milwaukee.....	12,457	9,671	6,566	10,005	4,529	4,534	2,551	2,314	1,417	731	5,847	1,136	18,403	14,936	14,964	13,455
Springfield.....	11,769	11,009	5,945	4,992	3,255	3,374	2,007	2,171	805	734	1,491	1,364	15,829	15,117	9,442	8,526
Cincinnati region:																
Cincinnati.....	21,104	19,088	6,773	9,135	3,349	3,060	1,980	1,801	542	386	1,474	474	24,995	22,534	10,228	11,410
Cleveland.....	28,727	30,274	29,104	35,344	7,431	8,219	5,788	5,624	1,473	1,028	1,479	1,323	37,631	39,521	36,371	42,590
Columbus.....	11,281	10,558	7,505	8,399	1,625	1,517	878	845	311	265	697	728	13,217	12,340	9,079	9,972
Indianapolis.....	14,295	15,349	15,579	15,671	4,667	3,959	3,386	3,120	990	699	3,028	1,783	19,852	20,007	21,993	20,574
Louisville.....	7,984	9,005	7,071	9,604	2,468	2,537	1,380	1,343	915	869	2,425	1,984	11,367	12,331	10,876	12,930
Parkersburg.....	4,840	6,531	5,374	7,806	1,574	1,533	1,117	1,064	463	293	369	162	6,577	8,357	6,800	9,032
Richmond.....	15,051	21,217	12,242	20,004	3,988	4,118	2,263	2,420	791	864	1,182	1,508	19,830	26,199	15,687	23,932
Toledo.....	5,215	5,009	2,328	1,630	980	1,078	633	617	133	190	220	225	6,328	6,277	3,180	2,471
Dallas region:																
Albuquerque.....	4,088	3,611	2,317	2,364	2,378	1,957	1,192	1,062	311	320	426	500	6,777	5,888	3,935	3,926
Austin.....	16,638	13,068	8,993	10,181	5,664	5,283	3,336	3,080	1,049	1,183	2,056	1,970	23,351	19,534	14,386	15,230
Dallas.....	20,908	18,756	15,005	16,129	8,225	6,158	4,760	3,642	1,393	879	2,267	1,052	30,526	25,793	22,022	20,822
Little Rock.....	3,685	3,343	1,361	1,777	1,209	1,179	489	453	444	259	615	124	5,338	4,781	2,465	2,355
New Orleans.....	10,838	10,287	6,790	7,732	4,300	4,097	2,489	2,214	713	914	902	1,589	15,851	15,298	10,182	11,536
Oklahoma City.....	9,382	8,119	4,832	5,892	4,998	3,764	2,239	2,167	1,267	1,003	557	678	15,637	12,886	7,629	8,737
New York City region:																
Albany.....	10,930	9,966	9,776	7,226	3,960	3,818	3,366	3,368	708	512	881	547	15,598	14,296	12,223	11,142
Brooklyn.....	70,027	68,007	93,159	98,295	35,112	33,648	24,882	23,624	3,680	3,949	7,340	7,509	108,819	105,604	125,382	129,428
Buffalo.....	13,541	15,354	7,990	8,381	4,836	4,141	3,436	2,778	807	697	1,443	1,149	17,184	20,172	12,869	12,309
Lower Manhattan.....	17,461	22,720	101,012	127,661	17,000	19,669	18,495	21,087	1,902	2,336	4,671	4,949	36,963	44,725	124,178	153,697
Syracuse.....	11,263	9,960	3,011	4,022	4,593	3,341	2,411	2,019	762	654	500	402	15,618	13,955	5,921	6,443
Upper Manhattan.....	84,511	86,207	131,353	160,052	32,259	33,586	32,466	31,514	4,618	4,848	12,275	11,110	121,388	124,641	176,094	202,676

Inventory of taxpayer delinquent accounts by tax groups, December 1957 and 1956—Continued

Region and district	Income				Employment				Other				Total			
	Number		Amount (thousand dollars)		Number		Amount (thou- sand dollars)		Number		Amount (thou- sand dollars)		Number		Amount (thou- sand dollars)	
	1957 (1)	1956 (2)	1957 (3)	1956 (4)	1957 (5)	1956 (6)	1957 (7)	1956 (8)	1957 (9)	1956 (10)	1957 (11)	1956 (12)	1957 (13)	1956 (14)	1957 (15)	1956 (16)
Omaha region:																
Aberdeen	1,834	1,924	1,081	1,127	788	823	264	248	222	201	45	66	2,844	2,948	1,991	1,441
Cheyenne	1,336	1,364	895	664	490	639	205	264	187	123	167	148	2,013	2,126	1,266	1,077
Denver	7,598	7,404	5,254	6,343	2,546	2,483	1,475	1,402	392	349	433	396	10,336	10,236	7,163	8,142
Des Moines	3,628	4,364	6,177	7,032	2,000	1,989	947	989	654	376	355	436	6,351	6,729	7,423	9,118
Fargo	1,361	1,450	1,092	948	628	563	236	228	140	186	86	161	2,135	2,199	1,114	1,336
Kansas City	7,231	5,803	5,638	6,716	2,591	2,522	1,497	1,466	346	325	752	492	10,168	8,650	7,887	8,673
Omaha	1,950	2,513	1,734	2,475	834	770	585	528	100	158	411	541	2,884	3,441	2,729	3,544
St. Louis	7,987	6,687	8,046	8,210	2,302	2,001	1,308	1,119	389	309	677	277	10,578	8,997	10,031	9,096
St. Paul	8,123	7,892	9,300	7,202	3,830	3,690	2,711	2,546	554	553	1,499	1,455	12,512	12,035	13,000	11,300
Wichita	5,047	6,350	5,526	6,551	2,294	2,300	1,299	1,269	362	383	259	227	7,703	9,038	7,064	8,047
Philadelphia region:																
Baltimore	36,164	52,313	29,444	36,775	7,246	6,963	5,100	4,402	1,572	1,366	1,526	1,601	44,852	68,042	26,069	42,778
Camden	13,595	14,207	9,867	9,561	4,876	4,709	3,590	2,950	908	743	1,424	1,504	19,376	10,449	14,881	14,015
Newark	38,431	51,553	33,561	54,568	14,575	17,240	17,170	18,193	2,716	2,785	4,936	7,133	55,722	71,578	55,667	79,913
Philadelphia	32,945	41,511	29,099	44,231	7,564	11,923	10,317	12,342	1,743	2,560	9,038	9,542	42,254	55,994	48,455	66,115
Pittsburgh	16,308	22,108	11,063	17,001	4,592	5,251	3,583	4,858	369	1,175	1,037	1,944	21,957	28,334	15,683	20,183
Scranton	3,165	3,317	5,806	4,125	1,547	1,397	2,127	2,220	384	361	142	121	5,000	2,975	8,775	5,516
Wilmington	4,162	4,772	3,254	3,126	522	621	272	301	133	129	286	295	4,817	5,522	3,811	3,722
San Francisco region:																
Boise	2,406	2,211	1,504	1,536	842	860	513	411	311	140	263	209	3,559	3,211	2,280	2,155
Helena	2,793	2,138	1,214	1,019	1,122	1,035	624	527	221	126	209	253	4,136	3,299	2,047	1,799
Honolulu	2,827	2,584	1,963	2,791	1,095	1,047	772	668	179	169	562	470	4,101	3,800	3,297	3,929
Los Angeles	66,415	72,436	60,469	46,748	19,853	17,151	20,762	10,600	2,746	2,589	5,448	5,588	89,014	92,176	76,679	68,937
Phoenix	4,397	4,132	2,838	2,808	2,039	1,533	1,396	1,169	324	296	221	118	6,700	5,871	4,452	4,095
Portland	7,203	6,924	10,506	10,080	2,554	2,767	2,073	1,934	538	609	559	1,201	10,295	10,300	13,130	13,215
Reno	2,584	2,307	4,447	3,646	928	1,038	1,363	1,574	227	200	484	775	3,739	3,545	6,324	5,995
Salt Lake City	3,094	2,845	2,915	2,776	1,527	1,374	861	778	257	286	130	218	4,878	4,505	3,906	3,771
San Francisco	44,635	47,100	61,292	64,558	12,797	11,473	10,119	9,214	3,009	2,565	3,370	3,078	60,441	61,138	74,781	77,560
Seattle	14,444	14,028	9,363	8,998	5,715	5,937	4,780	5,687	781	887	1,741	1,756	20,940	20,852	15,890	16,441
International operations division:	12,111	12,782	16,852	16,808	1,884	1,504	444	442	51	35	147	78	14,046	14,321	17,443	17,328
Puerto Rico:	916	1,198	316	298	1,755	1,307	375	296	3	4	30	31	2,674	2,509	721	624
All other:	11,195	11,584	16,535	16,511	129	197	69	146	48	31	117	47	11,372	11,812	16,722	16,704

Delinquent taxes

District and year	Employment tax		Percent increase or decrease over preceding year	Total taxes		Percent increase or decrease over preceding year	District and year	Employment tax		Percent increase or decrease over preceding year	Total taxes		Percent increase or decrease over preceding year
	Number	Amount		Number	Amount			Number	Amount		Number	Amount	
Augusta, Maine:							Lower Manhattan (2d New York):						
1954	1,145	\$665,410.01		3,478	\$2,582,660.00		1954	22,636	\$17,622,534.10		48,155	\$171,309,518.00	
1955	1,119	489,363.35	-26.4	3,018	1,915,961.28	-25.8	1955	25,952	20,573,162.41	+16.7	53,341	169,476,849.31	-1.0
1956	1,138	543,000.00	+11.0	3,582	1,489,000.00	-22.2	1956	19,069	21,087,000.00	+2.4	44,725	153,697,000.00	-9.3
1957	1,185	543,000.00		4,027	2,032,000.00	+36.4	1957	17,600	18,495,000.00	-12.2	36,963	124,178,000.00	-19.3
Boston, Mass.:							Syracuse (21st New York):						
1954	15,058	11,226,932.85		57,082	41,306,294.00		1954	3,046	1,552,242.81		12,486	5,650,017.00	
1955	11,122	10,000,411.94	-10.9	39,723	37,835,355.26	-8.4	1955	2,565	1,664,304.71	+7.2	9,308	5,395,848.85	-4.4
1956	9,477	9,632,000.00	-3.6	36,337	36,896,000.00	-2.4	1956	3,341	2,019,000.00	+21.3	13,955	6,443,000.00	+19.4
1957	8,826	8,597,000.00	-10.7	36,239	30,255,000.00	-17.9	1957	4,593	2,411,000.00	+19.4	16,618	5,921,000.00	-8.1
Burlington, Vt.:							Upper Manhattan (3d New York):						
1954	619	241,083.40		1,424	644,129.00		1954	24,420	26,447,055.62		67,328	158,538,468.00	
1955	441	145,096.27	-39.8	1,245	409,970.49	-36.3	1955	31,922	32,691,187.54	+23.6	109,567	195,098,775.26	+23.6
1956	421	201,000.00	+38.6	1,714	685,000.00	+67.0	1956	33,586	31,514,000.00	-3.6	124,641	202,676,000.00	+3.8
1957	510	236,000.00	+17.4	1,936	604,000.00	-11.8	1957	32,259	32,466,000.00	+3.0	121,388	176,094,000.00	-13.1
Hartford, Conn.:							Baltimore (Maryland and District of Columbia):						
1954	4,232	2,831,137.07		22,554	15,271,158.00		1954	12,249	6,296,683.87		120,870	68,663,284.00	
1955	5,079	3,298,977.26	+16.5	21,219	15,348,135.93	+5.5	1955	9,577	5,733,385.50	-8.3	95,861	62,497,224.45	-8.9
1956	4,079	3,202,000.00	-2.9	21,783	11,445,000.00	-25.4	1956	6,963	4,402,000.00	-23.7	60,642	42,778,000.00	-31.5
1957	5,156	4,317,000.00	+34.8	23,188	14,572,000.00	+27.3	1957	7,246	5,100,000.00	+15.8	44,982	36,069,000.00	-15.6
Portsmouth, N. H.:							Camden (1st New Jersey):						
1954	1,017	460,773.21		2,854	3,252,731.00		1954	3,526	2,090,781.97		16,986	10,638,780.00	
1955	840	310,676.22	-32.5	2,347	2,179,031.04	-33.0	1955	3,684	2,637,984.25	+27.1	16,958	16,896,707.75	+58.8
1956	829	315,000.00	+1.2	3,144	1,948,000.00	-10.6	1956	4,709	2,950,000.00	+10.9	19,659	14,015,000.00	-17.0
1957	718	347,000.00	+10.1	2,556	1,018,000.00	-49.7	1957	4,576	3,590,000.00	+21.6	19,376	14,881,000.00	+6.1
Providence, R. I.:							Newark (5th New Jersey):						
1954	1,847	1,204,162.49		8,060	7,389,895.00		1954	37,438	24,083,886.58		122,953	92,962,952.00	
1955	1,259	894,222.10	-25.7	5,985	7,173,805.25	-2.9	1955	32,673	22,244,626.78	-7.6	84,883	79,793,942.61	-14.1
1956	1,874	1,254,000.00	+40.2	7,329	6,041,000.00	-15.7	1956	17,240	18,193,000.00	-18.2	71,578	79,913,000.00	+1.1
1957	2,447	1,358,000.00	+8.2	7,169	3,331,000.00	-44.8	1957	14,575	17,170,000.00	-5.6	55,722	55,667,000.00	-30.3
Albany (14th New York):							Philadelphia (1st Pennsylvania):						
1954	4,679	3,559,687.55		13,822	15,061,055.00		1954	18,014	15,700,488.83		95,824	63,450,420.00	
1955	4,770	3,454,402.53	-2.9	14,246	11,274,930.84	-25.1	1955	17,918	17,060,134.24	+8.6	87,594	74,744,336.73	+17.7
1956	3,818	3,368,000.00	-2.4	14,296	11,142,000.00	-1.1	1956	11,923	12,342,000.00	-27.6	55,994	66,115,000.00	-11.5
1957	3,960	3,366,000.00		15,598	12,223,000.00	+9.7	1957	7,564	10,317,000.00	-16.4	42,254	48,455,000.00	-26.7
Brooklyn (1st New York):							Pittsburgh (23d Pennsylvania):						
1954	28,903	18,534,016.93		88,274	106,522,490.00		1954	4,880	3,800,921.84		40,973	28,955,774.00	
1955	37,482	24,623,884.76	+32.3	100,932	133,339,786.92	+25.1	1955	6,651	5,079,938.43	+33.6	34,891	30,144,327.73	+4.1
1956	33,648	23,624,000.00	-3.6	105,604	129,428,000.00	-2.9	1956	5,251	4,858,000.00	-4.5	28,534	23,103,000.00	-23.3
1957	35,112	24,882,000.00	+5.3	108,819	125,382,000.00	-3.1	1957	4,562	3,583,000.00	-26.2	21,759	15,683,000.00	-32.3

Delinquent taxes—Continued

District and year	Employment tax		Percent increase or decrease over preceding year	Total taxes		Percent increase or decrease over preceding year	District and year	Employment tax		Percent increase or decrease over preceding year	Total taxes		Percent increase or decrease over preceding year
	Number	Amount		Number	Amount			Number	Amount		Number	Amount	
Seranton (12th Pennsylvania):							Milwaukee, Wis.:						
1954	2,134	\$2,345,338.27		9,414	\$7,948,754.00		1954	3,759	\$1,704,809.43		16,962	\$16,592,839.00	
1955	1,743	2,324,223.08	-8	6,659	7,233,268.19	-9.0	1955	3,781	2,087,500.52	+22.4	14,322	16,279,604.79	-1.8
1956	1,397	2,220,000.00	-4.4	4,975	6,516,000.00	-9.9	1956	4,534	2,314,000.00	+10.8	14,936	13,455,000.00	-17.3
1957	1,547	2,127,000.00	-4.1	5,096	8,075,000.00	+23.9	1957	4,529	2,551,000.00	+10.2	18,403	14,964,000.00	+11.2
Wilmington, Del.:							Springfield (8th Illinois):						
1954	571	303,208.25		5,460	22,009,168.00		1954	4,563	1,903,972.63		19,192	9,101,127.00	
1955	683	327,924.93	+8.2	4,586	3,639,928.73	-83.4	1955	3,381	1,627,535.26	-14.4	12,885	8,723,856.07	-4.1
1956	621	301,000.00	-8.2	5,522	3,722,000.00	+2.2	1956	3,374	2,171,000.00	+33.3	15,117	8,526,000.00	-2.2
1957	522	272,000.00	-9.6	4,817	3,811,000.00	+2.3	1957	3,255	2,007,000.00	-7.5	15,829	9,442,000.00	+10.7
Cincinnati (1st Ohio):							Aberdeen, S. Dak.:						
1954	3,431	1,784,096.72		26,545	15,128,835.00		1954	734	282,200.82		3,092	1,255,504.00	
1955	3,630	1,947,441.26	+9.1	24,423	12,685,909.21	-16.1	1955	604	248,973.89	-11.7	2,488	1,613,977.06	+28.5
1956	3,060	1,801,000.00	-7.4	22,534	11,410,000.00	-10.0	1956	823	248,000.00	-4	2,948	1,441,000.00	-10.7
1957	3,349	1,980,000.00	+9.9	24,995	10,228,000.00	-10.3	1957	788	264,000.00	+6.4	2,844	1,391,000.00	-3.5
Cleveland (18th Ohio):							Cheyenne, Wyo.:						
1954	7,958	5,272,650.40		49,841	42,963,755.00		1954	688	248,463.42		2,445	1,629,689.00	
1955	8,720	5,523,283.73	+4.7	46,546	35,547,838.73	-17.4	1955	727	256,547.69	+3.6	2,215	1,344,230.40	-17.5
1956	8,219	5,924,000.00	+7.2	39,521	42,590,000.00	+19.8	1956	639	264,000.00	+2.7	2,126	1,077,000.00	-19.8
1957	7,431	5,788,000.00	-2.2	37,631	36,371,000.00	-14.6	1957	490	205,000.00	-22.3	2,013	1,266,000.00	+17.5
Columbus (11th Ohio):							Denver, Colo.:						
1954	1,207	594,431.23		13,054	6,652,735.00		1954	2,754	1,319,176.85		9,888	7,552,676.00	
1955	1,290	657,347.06	+10.6	11,010	6,624,801.15	-4	1955	3,056	1,642,399.55	+24.4	9,748	7,960,670.88	+5.4
1956	1,517	845,000.00	+28.6	12,340	9,972,000.00	+50.5	1956	2,483	1,402,000.00	-14.6	10,236	8,142,000.00	+2.2
1957	1,625	878,000.00	+3.9	13,217	9,079,000.00	-8.9	1957	2,346	1,475,000.00	+5.2	10,336	7,163,000.00	-12.0
Indianapolis, Ind.:							Des Moines, Iowa:						
1954	3,420	2,477,333.39		23,475	19,133,272.00		1954	1,781	770,935.98		5,810	9,737,729.00	
1955	4,767	2,953,720.13	+19.2	22,273	20,760,250.92	+8.5	1955	1,596	749,072.00	-2.8	5,207	8,200,182.84	-15.7
1956	3,959	3,120,000.00	+5.6	20,007	20,574,000.00	-8	1956	1,989	989,000.00	+32.0	6,729	9,118,000.00	+11.1
1957	4,667	3,386,000.00	+8.5	19,952	21,993,000.00	+6.8	1957	2,069	947,000.00	-4.2	6,351	7,480,000.00	-17.9
Louisville, Ky.:							Fargo, N. Dak.:						
1954	2,019	1,035,518.05		12,161	11,834,161.00		1954	843	310,419.75		2,352	1,353,482.00	
1955	2,934	1,228,281.32	+18.5	12,963	13,172,969.14	+11.3	1955	578	217,937.13	-29.6	1,607	1,011,136.65	-25.2
1956	2,457	1,343,000.00	+8.3	12,331	12,930,000.00	-1.8	1956	563	228,000.00	+4.5	2,199	1,336,000.00	+32.1
1957	2,468	1,380,000.00	+2.7	11,367	10,870,000.00	-15.8	1957	628	236,000.00	+3.5	2,135	1,414,000.00	+5.8
Parkersburg, W. Va.:							Kansas City (6th Missouri):						
1954	3,221	1,952,988.54		15,917	12,931,009.00		1954	1,783	884,557.15		8,155	9,021,864.00	
1955	2,257	1,376,158.66	-29.5	11,094	10,627,103.44	-17.8	1955	2,030	1,146,641.36	+29.6	7,615	9,433,477.26	+4.5
1956	1,533	1,064,000.00	-22.6	8,357	9,032,000.00	-15.0	1956	2,522	1,466,000.00	+27.8	8,650	8,673,000.00	-8.0
1957	1,574	1,117,000.00	+4.9	6,877	6,860,000.00	-24.0	1957	2,591	1,497,000.00	+2.1	10,168	7,887,000.00	-9.0
Richmond, Va.:							Omaha, Nebr.:						
1954	4,692	2,239,122.31		32,611	20,986,659.00		1954	810	548,945.99		3,932	4,180,447.00	
1955	5,147	2,663,135.29	+18.9	29,332	21,881,829.41	+4.2	1955	638	480,883.97	-12.5	2,697	3,364,445.91	-19.5
1956	4,118	2,420,000.00	-9.1	26,199	23,932,000.00	+9.3	1956	770	528,000.00	+10.0	3,441	3,544,000.00	+5.3
1957	3,988	2,263,000.00	-6.4	19,830	15,687,000.00	-34.4	1957	834	585,000.00	+10.7	2,884	2,729,000.00	-22.9
Toledo (10th Ohio):							St. Louis (1st Missouri):						
1954	929	392,720.71		6,072	3,317,067.00		1954	1,958	974,386.01		11,539	12,267,505.00	
1955	785	393,421.06	-6.9	4,855	2,896,973.94	-12.6	1955	2,686	1,323,248.26	+35.8	9,999	10,085,650.90	-17.7
1956	1,078	617,000.00	+56.9	3,277	2,471,000.00	+14.7	1956	2,001	1,119,000.00	-15.4	8,997	9,606,000.00	-4.7
1957	980	633,000.00	+2.5	6,328	3,180,000.00	+28.6	1957	2,202	1,308,000.00	+16.8	10,578	10,031,000.00	+4.4
Atlanta, Ga.:							St. Paul, Minn.:						
1954	4,963	2,947,046.64		26,021	20,972,739.00		1954	3,096	1,929,020.99		10,916	9,725,868.00	
1955	5,889	3,572,771.07	+21.2	24,979	18,809,469.18	-10.3	1955	3,110	2,093,897.27	+8.5	9,616	9,270,700.41	-4.6
1956	5,540	3,432,000.00	-3.9	24,713	17,680,000.00	-9.1	1956	3,560	2,546,000.00	+21.5	12,035	11,203,000.00	+20.8
1957	5,864	3,829,000.00	+11.5	25,328	18,972,000.00	+11.0	1957	3,830	2,711,000.00	+6.4	12,512	13,600,000.00	+21.3
Birmingham, Ala.:							Wichita, Kans.:						
1954	4,874	2,290,185.29		19,506	19,488,687.00		1954	2,405	939,301.24		10,542	7,316,879.00	
1955	3,655	1,965,215.06	-14.5	16,003	17,636,819.66	-9.5	1955	2,912	1,018,508.27	+8.5	10,279	6,757,858.00	-7.6
1956	3,658	1,880,000.00	-4.3	16,780	21,969,000.00	+24.5	1956	2,300	1,209,000.00	+24.5	9,038	8,047,000.00	+19.0
1957	3,826	1,772,000.00	-5.7	15,986	18,889,000.00	-14.0	1957	2,294	1,299,000.00	+2.3	7,703	7,084,000.00	-11.9
Columbia, S. C.:							Albuquerque, N. Mex.:						
1954	3,727	1,078,658.03		14,246	7,201,701.00		1954	1,911	741,103.41		5,491	2,324,810.00	
1955	3,318	822,119.84	-23.8	12,972	6,511,429.28	-9.5	1955	1,994	853,894.55	+15.2	5,078	2,960,729.62	+4.8
1956	3,311	850,000.00	+3.4	13,202	5,413,000.00	-16.8	1956	1,957	1,062,000.00	+24.3	5,888	3,926,000.00	+32.5
1957	2,938	948,000.00	+11.5	13,339	4,462,000.00	-17.5	1957	2,378	1,192,000.00	+12.2	6,777	3,935,000.00	+1.2
Greensboro, N. C.:							Austin (1st Texas):						
1954	5,332	2,016,860.03		22,459	26,395,319.00		1954	5,609	3,021,818.39		22,355	20,202,903.00	
1955	4,318	1,988,267.92	-9	15,687	21,018,680.09	-20.3	1955	6,580	2,702,774.57	+10.5	18,391	12,754,005.75	-36.8
1956	4,336	1,957,000.00	-2.0	17,696	22,222,000.00	+5.7	1956	5,283	3,080,000.00	+13.9	19,534	15,230,000.00	+19.4
1957	4,922	2,023,000.00	+3.3	17,598	14,872,000.00	-33.0	1957	5,664	3,336,000.00	+8.3	23,351	14,386,000.00	-5.5.

Delinquent taxes—Continued

District and year	Employment tax		Percent increase or decrease over preceding year	Total taxes		Percent increase or decrease over preceding year	District and year	Employment tax		Percent increase or decrease over preceding year	Total taxes		Percent increase or decrease over preceding year
	Number	Amount		Number	Amount			Number	Amount		Number	Amount	
Helena, Mont.:							Salt Lake City, Utah:						
1954.....	1,064	\$436,666.55	-----	3,214	\$2,863,290.00	-----	1954.....	1,671	\$925,535.77	-----	5,554	\$4,649,780.00	-----
1955.....	831	333,265.41	-23.7	2,912	2,575,503.61	-10.0	1955.....	1,491	809,124.82	-12.6	4,668	3,560,853.41	-23.4
1956.....	1,035	527,000.00	+58.2	3,299	1,799,000.00	-30.1	1956.....	1,374	778,000.00	-3.8	4,505	3,771,000.00	+5.8
1957.....	1,122	624,000.00	+18.4	4,136	2,047,000.00	+13.7	1957.....	1,527	861,000.00	+10.6	4,878	3,906,000.00	+3.5
Honolulu, T. H.:							San Francisco (1st California):						
1954.....	1,338	\$98,188.84	-----	4,682	\$4,620,939.00	-----	1954.....	17,616	10,597,430.98	-----	85,790	\$6,858,096.00	-----
1955.....	1,196	876,088.14	-2.4	3,835	4,245,619.31	-5.9	1955.....	17,509	11,951,569.42	+12.7	73,245	88,983,217.30	+33.0
1956.....	1,047	668,000.00	-23.7	3,800	3,929,000.00	-9.5	1956.....	11,473	9,214,000.00	-22.9	61,138	77,550,000.00	-12.8
1957.....	1,095	772,000.00	+15.5	4,101	3,297,000.00	-16.0	1957.....	12,797	10,119,000.00	+9.8	60,441	74,781,000.00	-3.5
Los Angeles (6th California):							Seattle, Wash.:						
1954.....	16,989	13,396,011.75	-----	86,733	\$8,047,147.00	-----	1954.....	5,932	4,324,875.05	-----	27,707	19,804,603.00	-----
1955.....	22,429	19,705,004.78	+47.1	105,039	83,679,336.98	-4.9	1955.....	6,417	5,409,549.97	+25.0	22,634	18,285,409.85	-8.1
1956.....	17,151	16,600,000.00	-15.7	92,176	68,937,000.00	-17.6	1956.....	5,937	5,687,000.00	+5.1	20,852	16,441,000.00	-10.0
1957.....	19,853	20,762,000.00	+25.0	89,014	76,679,000.00	+11.2	1957.....	5,715	4,786,000.00	-15.8	20,940	15,890,000.00	-3.3
Phoenix, Ariz.:							Puerto Rico:						
1954.....	2,158	1,384,417.91	-----	8,957	5,510,061.00	-----	1954.....	1,530	147,286.62	-----	2,020	273,843.00	-----
1955.....	2,059	1,327,348.74	-4.1	7,023	5,057,757.70	-8.2	1955.....	1,853	252,580.38	+72.1	3,249	622,244.65	+127.4
1956.....	1,533	1,169,000.00	-11.9	5,871	4,095,000.00	-19.0	1956.....	1,307	296,000.00	+17.1	2,509	624,000.00	+2
1957.....	2,039	1,396,000.00	+19.3	6,760	4,452,000.00	+8.7	1957.....	1,755	375,000.00	+26.6	2,674	721,000.00	+15.5
Portland, Oreg.:							International operations:						
1954.....	4,059	2,053,716.03	-----	14,799	15,351,352.00	-----	1954.....	1,504	442,000.00	-----	14,321	17,328,000.00	-----
1955.....	3,950	2,281,809.97	+11.1	11,636	12,429,142.29	-19.0	1955.....	1,884	444,000.00	+4	14,046	17,443,000.00	+6
1956.....	2,767	1,934,000.00	-15.2	10,300	13,215,000.00	+6.3	1956.....						
1957.....	2,554	2,073,000.00	+7.1	10,295	13,139,000.00	-5	1957.....						
Reno, Nev.:							Total:						
1954.....	1,455	1,480,023.56	-----	4,576	6,043,359.00	-----	1954.....	390,398	254,062,301.79	-----	1,725,474	1,614,494,287.00	-----
1955.....	1,195	1,470,181.47	-6	3,782	6,697,953.56	+10.8	1955.....	399,269	284,903,237.04	+12.0	1,596,615	1,646,383,973.95	+1.9
1956.....	1,038	1,574,000.00	+7.0	3,545	5,995,000.00	-10.4	1956.....	356,748	279,183,000.00	-1.9	1,590,685	1,619,629,000.00	-1.6
1957.....	928	1,393,000.00	-11.4	3,739	6,324,000.00	+5.4	1957.....	377,253	306,678,000.00	+7.6	1,554,876	1,504,709,000.00	-7.0

¹ Puerto Rico figures are included in international operations for 1956 and 1957.

FEDERAL TAX ON GAMBLING ENTERPRISES

Mr. PROXMIRE. Mr. President, I have received from Mr. Arthur J. Freund, a distinguished attorney and authority on criminal law, a letter in support of my bill to prohibit the deduction from Federal income taxes of the expenses of illegal gambling enterprises. Mr. Freund has sent me a copy of an article entitled "The Federal Taxing Power and Organized Crime," which appeared in the Washington University Law Quarterly, and was written by Russell Baker, a member of the Chicago bar.

I ask unanimous consent that the letter from Mr. Freund and the article by Mr. Baker be printed in the RECORD at this point in my remarks.

There being no objection, the letter and article were ordered to be printed in the RECORD, as follows:

ST. LOUIS, Mo., March 28, 1958.

HON. WILLIAM PROXMIRE,
Senate Office Building,
Washington, D. C.

DEAR SENATOR PROXMIRE: I am pleased to see that you have introduced a bill to require disallowance of legitimate expenses of illegitimate enterprises on Federal income tax returns. As former chairman of the section of criminal law of the American Bar Association and as a member of the American Bar Association Commission on Organized Crime, it was my conviction that such expenses should be disallowed. It was always obvious, however, that the more desirable avenue to attain such an objective was by direct Congressional legislation.

The American Bar Association has taken no position on this subject and my views are wholly my own. I am enclosing a copy of an article on the subject by Russell Baker, Esq., of the Chicago bar. At the time the article was written in 1953, Mr. Baker was counsel for the Chicago Crime Commission.

If I can serve you further, please advise me. I would appreciate it if you would send me a copy of S. 3535.

Respectfully,

ARTHUR J. FREUND,
Attorney at Law.

[From the Washington University Law Quarterly of April 1953]

THE FEDERAL TAXING POWER AND ORGANIZED CRIME

(By Russell Baker)

The problem of organized crime presents one of the greatest threats to the stability of our manner of living and to our form of government. In a dictatorship, organized crime, along with all manner of wholesome individual and group activities, is ruthlessly suppressed. Can a free society such as ours protect itself from those of its members who consciously elect crime as a business and make a life outside the law and, at the same time, preserve the constitutional guaranties which we value and cherish? These are serious questions. The answers must be supplied very largely by the bar and the judiciary. This paper is by no means a final attempt to answer them. The effort in producing it will be justified if it serves to emphasize resources within the law and the Constitution which could be useful in meeting the problem.

THE NATURE OF THE PROBLEM AND POSSIBLE SOLUTIONS

Law enforcement in terms of meeting the challenge of organized crime is often oversimplified by the claim that it is a local problem. This statement is by no means reliable as a general proposition, even where related to individual crimes. It is fatally erroneous in the face of organized crime, which is a very large and powerful business having national distribution and whose central motive is profit. The phenomenon of syndicate crime is a threat to all government, and the resources of government at all levels must be mobilized to meet it. The present power and affluence of the organized criminal is an indication of the degree to which the popular

myth "law enforcement is a local problem" has been accepted.¹

Taking the constitution of the State of Illinois as more or less typical of the other State constitutions, we find that the Governor is the chief law-enforcement officer, "who shall take care that the laws be faithfully executed."² Where, as often happens in Illinois, local law enforcement is paralyzed by the strangling grip of the syndicate applied to a whole community,³ the Governor is called upon by the constitution to act. He has the State police at his command and, of course, the militia if required.

A very serious defect in our executive machinery in Illinois is the fact that each one of the more than 100 State's attorneys operate independently and without any supervisory or coordinating authority over them. This haphazard result was not contemplated by your constitution. The attorney general has the same authority as pertained to that office at common law, and consequently he does have authority superior to the State's attorney within each county and could, if he desired, effect the necessary supervision and coordination.⁴ This is particularly necessary

¹ See former Gov. Adlai Stevenson's article entitled "Organized Crime and Law Enforcement: A Problem for the People," 38 A. B. A. J. 26 (1952), in which Mr. Stevenson contends that law enforcement is a local problem and should not be taken over or aided by the State or Federal Government unless and until local authorities have proved useless or ineffective.

² Illinois Constitution, art. V, sec. 6.

³ Headlines from Chicago papers: "Saloon Vice Grips Cal City Again," Chicago Daily News, January 26, 1958; "Four Shot in Cal City Bar," Chicago Daily News, November 22, 1952; "Cal City Defies Vice Cleanup," Chicago Herald-American, September 8, 1952; "Boozy, Sordid Cal City Still Oasis of Sin," Chicago Daily News, August 25, 1952.

⁴ See the following Illinois cases for authority that the attorney general may, if he wishes, act against organized crime and supervise the State's attorneys: *People v. Barrett* (382 Ill. 321, 46 N. E. 2d 951 (1943));

in the face of the complicated pattern of syndicate crime, which operates not on a county but on a statewide and national basis.

It is a fair conclusion to draw that the resources of the State constitution have not been fully used and certainly not exhausted in the mobilization of weapons with which to fight organized crime.

The Central Government, by virtue of the Federal Constitution, has assumed full control of whole areas of our collective activities, such as customs, coinage, interstate commerce, immigration and naturalization, and income tax. These delegations of authority certainly carry with them the duty of exercising the power granted for the well-being of all the people who live by the law. Therefore, when the income tax law is so written and administered as to create a recurring crop of gangster millionaires, just cause for complaint exists. Crime as a business is one of the largest industries in this country today. Consequently, taxation of income produced by such business is a particularly sensitive point in the whole machinery of control and suppression. It is difficult to justify a scheme of income taxation which taxes income from honest business at the same rate as gains taken in an illegal enterprise. Still more difficult is it to justify a system of income tax law which in the treatment of deductions and losses of an illegal business, grants preference to the latter over legitimate business.

The ultimate objective of this paper is to demonstrate the legal basis for taxing illegal gains at a rate much higher than that applied to income from legal sources and to show as well that the current practice of allowing a deduction of losses and legitimate expenses of an illegal business is based on premises wholly untenable.

THE REGULATORY ASPECT OF TAXATION

The claim is made that the income tax law should have as its sole function the raising of revenue for the Federal Government, and that the Federal Government does not possess authority, under the Constitution, to regulate, control, or suppress rackets and organized crime pursued as a business, through income taxation. These claims lack constitutional support and are not justified by the history of taxation in this country and elsewhere.

Taxes played a significant part in the founding of the Republic. Under the Articles of Confederation, the Central Government had no right to raise revenue by taxation. It was forced to depend upon the several States for voluntary contributions, which were slow in arriving and often were never made. This, of course, was a very unworkable and unsatisfactory state of things, and no nation could operate under any such regimen. Consequently, the necessity of having in the Central Government the right to levy and collect taxes led directly to the adoption of the present Federal Constitution and, therefore, to the permanent founding of our Nation.

Taxation has always been associated with the raising of revenue by the State, and no doubt the raising of revenue will always remain its chief function. That fact, however, does not imply that taxation does not have, or that it should not have, other important functions to perform in the modern state.

No longer is it correct to think of taxation in terms of production of revenue alone. We know that the whole theory and practice of taxation has undergone a radical change in this country, and, indeed,

throughout the whole world, in the past 150 years. During that time this country passed through several distinct phases of taxation:

1. From 1789 to the Civil War, customs receipts were the principal source of revenue.⁵

2. During the Civil War, income and inheritance taxes made their appearance.⁶

3. From 1868 until 1913, excise taxes on liquor and tobacco accounted for 90 percent of the revenue collected by our Government.⁷ During that same period, a second attempt at a graduated income tax was made.⁸

4. Beginning in 1913, a new and, as it turns out, the present era of Federal taxation began. This new period is distinguished by the graduated income tax.⁹

Not only have the forms of taxation changed from one period to the next, but the theories which support those forms have varied as well. Both the form and the theory change as the economic and social bases of society change. Fiscal forms and patterns are always the outcome of these basic underlying but dynamic factors.

As pointed out, customs duties, also known as tariffs, were once the principal source of revenue of our Government. At the same time, the tariff was, and perhaps still is, an instrument of national political and economic policy. Certainly the tariff is an example of a tax measure which has serious regulatory consequences. Today its prime function is not the raising of revenue. It is highly regulatory in effect. It has a serious influence in the cold war in that it prevents countries of the Free World from selling in the United States market and may very well force them to trade with Russia and the Iron Curtain countries.¹⁰

To what extent may the Federal taxing power be used in dealing with the problem of organized, commercial, syndicated crime? The question really is: How far may Congress go under the Constitution in the use of taxation as an instrument of regulation and suppression of activities and enterprises that are dangerous and undesirable, judged by the ethical, moral, and legal standards of the community?

All taxation has a regulatory effect, whether so intended or not, a fact easily illustrated in the provisions of the Federal tax laws presently in force. As a consequence of tax laws presently extant, the growth of some businesses is stifled. Out of tax motives, some enterprises are operated as sole proprietorships, others as partnerships rather than corporations. A business is organized and operated as a cooperative or as a trust rather than as a corporation because of a tax advantage enjoyed by the particular form selected. Financial papers frequently carry advertisements of the offer of sale of business with long loss records and accumulated deficits. A market for such companies exists solely because of the nature and effect of the tax law. Tax-free State and municipal securities with a low interest yield are purchased and held instead of stocks and bonds. The family partnership presents the phenomenon of infants as partners in business enterprises. These are but a few of the many examples of the effects of our tax laws and their regulatory effect on economic activity.

The very first law which Congress passed was the Tariff Act of 1789.¹¹ Duties were

imposed by that law for the raising of revenue. It was frankly stated in that legislation that it had for its purpose "the encouragement and protection of manufactures."¹²

In 1866, an annual tax of 10 percent was imposed on State banknotes.¹³ The purpose of this tax was not to raise revenue but to give the notes of the newly established national bank a monopoly of bank-note circulation in the Nation. The law was upheld by the Supreme Court in *Veazie Bank v. Fenno*¹⁴ not only on the ground that Congress had authority to provide currency for the Nation and hence could prohibit all circulation except its own obligations but on the additional ground that it had the power to tax the State banknotes as property. This law has never been repealed. It has produced no revenue.

The dairy industry of this country was articulate in the pressure-group sense, as early as 1886, and in that year induced Congress to impose heavy license taxes on oleomargarine manufacturers and dealers. A special tax of 15 cents a pound was imposed on imported oleomargarine.¹⁵ In 1902, the general rate of tax on oleomargarine was fixed at 10 cents a pound,¹⁶ while oleo free from artificial coloring was set at a quarter of a cent a pound. In 1902 the Supreme Court upheld this law in *McCray v. United States*.¹⁷ It was not until 1950 that this legislation was repealed.¹⁸

The manufacture of white phosphorus matches causes an occupational disease in which the jaw of the victim is eaten away. After an unsuccessful effort by American manufacturers themselves to eliminate the use of white phosphorus matches, Congress imposed a tax of 2 cents per 100 matches.¹⁹ The law successfully eliminated white phosphorus matches, which was its purpose. It produced no revenue.

In 1914 an internal revenue tax of \$300 per pound was imposed on the manufacturers of opium for smoking purposes.²⁰ It was believed by the proponents of this law that the only way in which Congress could constitutionally stop the manufacture of narcotic drugs was by the imposition of a prohibitive tax. Later in that same year, a statute was passed which levied a stamp tax of 1 cent an ounce on narcotic drugs. It also provided for an occupational tax on dealers and a detailed set of regulations.²¹ These occupational taxes were intended to be the constitutional basis for a regulatory system that might otherwise have been held unconstitutional. The Supreme Court, by a 5 to 4 decision, upheld the act as constitutional.²² The majority opinion stated: "The act may not be declared unconstitutional, because its effect may be to accomplish another purpose as well as the raising of revenue."²³ The dissenting opinion stated that the "statute was a mere attempt by Congress to exert a power not delegated" to it by the Constitution.²⁴

The Cotton Futures Act of 1914 imposed a tax of 2 cents a pound upon all sales of

⁵ Id., sec. 1.

¹³ 14 Stat. 146 (1866), 18 U. S. C., sec. 250 (1946).

¹⁴ 8 Wall. 533 (U.S. 1869).

¹⁵ 24 Stat. 209, 211 (1886), 26 U. S. C., sec. 2308 (1946).

¹⁶ 32 Stat. 193, 194 (1902), 21 U. S. C., sec. 25 (1946).

¹⁷ 195 U. S. 27 (1904).

¹⁸ 64 Stat. 20 (1950).

¹⁹ 37 Stat. 81 (1912), 26 U. S. C., sec. 2651 (1946).

²⁰ 38 Stat. 277 (1914).

²¹ 38 Stat. 785 (1914), 26 U. S. C., sec. 2550 (1946).

²² *United States v. Doremus* (249 U. S. 86 (1919)).

²³ Id., at 94.

²⁴ Id., at 95.

Rowan v. Shawneetown (378 Ill. 289, 38 N. E. 2d 2 (1941)); *Saxby v. Sonnemann* (318 Ill. 600, 145 N. E. 526 (1925)); *People v. Looney* (314 Ill. 150, 145 N. E. 365 (1924)); *Fergus v. Russel* (270 Ill. 304, 110 N. E. 130 (1915)).

⁶ *Surrey and Warren, Federal Income Taxation* 2 (Temp. ed., 1950).

⁷ Id. at 3.

⁸ Id. at 4.

⁹ Id. at 5.

¹⁰ Id. at 10.

¹¹ See the excellent article by Sumner Slichter, *More Imports Needed*, 191 *Atlantic Monthly* 37 (January 1953).

¹² 1 Stat. 24 (1789).

cotton futures.²⁵ Spot sales are exempt from the tax. This law has produced no revenue. It was, however, successful in forcing the use of the specified types of contract. This statute was not challenged in the courts and is still operative.

The National Firearms Act of June 6, 1934, imposed a \$200 annual license tax on dealers in firearms.²⁶ This law was upheld in *Sonzinsky v. United States*.²⁷ It produces very little revenue.

In 1937 Congress passed a law regulating the coal industry and imposed an excise tax of 19½ percent of the sale price of coal at the mine, with the provision that this tax should not apply to any producer who had membership in the Bituminous Coal Code set up under the statute.²⁸ The Supreme Court upheld the constitutionality of this act,²⁹ despite its similarity to the Bituminous Coal Conservation Act of 1935,³⁰ which was struck down.³¹ This decision is no doubt the result of the broadening of the Supreme Court's interpretation of the interstate commerce clause of the Constitution.

Under the Social Security Act of 1935 an excise tax at the rate of 3 percent of the wages paid has been imposed, since January 1, 1938, on employers of 8 or more employees.³² A credit is allowed against this tax for amounts paid by the taxpayer into the unemployment funds set up under State law and approved by the Social Security Board. The total credit may not exceed 90 percent of the Federal tax. Thus 10 percent of the tax is imposed for revenue, while the remaining 90 percent is intended to encourage States to adopt unemployment compensation systems. The plan has been successful, and such systems have been set up in every State.

We know, of course, that the wartime excise taxes contained in the Revenue Act of 1941³³ were enacted to discourage the purchase of taxed articles and thereby to encourage the manufacturer to shift resources to the production of articles required for the defense program. The desirability of such excise taxes was pressed upon the Treasury Department by Mr. Leon Henderson, Administrator of the Office of Price Administration and Civilian Supply.³⁴

It should be noted that the various features of the Federal income tax embody obvious regulatory objectives. The granting of exemption to certain businesses and non-profit organizations to encourage their activities is one form.³⁵ Special tax encouragement is given to religious, charitable, and educational institutions.³⁶ The income of such organization is exempt. Contributions to them may be deducted from the giver's income up to a maximum of 20 percent of the gross.³⁷ In addition, the allowance of a percentage depletion in oil, gas, and certain mining industries satisfies a regulatory objective.³⁸ A purpose is disclosed to stimulate exploration and development in the natural resources industries.

The excise taxes on alcoholic liquors and on persons manufacturing and distributing them have regulatory aspects. The rates would not be as high as they are if discouraging consumption of such beverages were not believed to be desirable. The taxation of this activity permits the Federal Government to regulate the alcoholic beverage industry.³⁹ Chapter 27 of the Internal Revenue Code not only imposes taxes but prescribes as well accounting methods to be followed, the types of physical construction of distilleries, and an elaborate system of reporting sales of alcoholic beverages and distilled spirits.

The foregoing is a rather extensive but by no means exhaustive list of Federal taxes every one of which has a very strong regulatory purpose and effect. We see that the very first act of Congress after the adoption of the Constitution was the adoption of the tariff law, the regulatory characteristics of which certainly claim equal, if not greater, importance than its revenue raising function. We see that, from 1789 down through the intervening years, tax laws, the regulatory character of which cannot be denied, have been enacted by Congress and sustained by the Supreme Court. Therefore, is there any profit, as a practical matter, in further contention that the taxing power of Congress does not include at least the incidental right at the same time to regulate the activity taxed?

Regulation by taxation is, as of now, a permanent and fixed feature of taxing practice and philosophy. We should accept that fact and apply it to our purpose of taxing all of the profit out of crime.

The legal question is really this: Does Congress have power under the Constitution to regulate an activity by taxation which it does not have power to control or regulate under some specific delegation of that instrument? The question is fully answered in *United States v. Sanchez*:⁴⁰

"In enacting the Marihuana Tax Act, the Congress had two objectives: 'First, the development of a plan of taxation which will raise revenue and at the same time render extremely difficult the acquisition of marihuana by persons who desire it for illicit uses and, second, the development of an adequate means of publicizing dealings in marihuana in order to tax and control the traffic effectively.'"

"First, it is beyond serious question that a tax does not cease to be valid merely because it regulates, discourages, or even definitely deters the activities taxed. The principle applies even though the revenue obtained is obviously negligible, or the revenue purpose of the tax may be secondary, *Hampston & Co. v. United States*.⁴¹ Nor does a tax statute necessarily fall because it touches on activities which Congress might not otherwise regulate. As was pointed out in *Magnano Co. v. Hamilton*:⁴²

"From the beginning of our Government, the courts have sustained taxes although imposed with the collateral intent of effecting ulterior ends which, considered apart, were beyond the constitutional power of the lawmakers to realize by legislation directly addressed to their accomplishment."

"The principles are controlling here. The tax in question is a legitimate exercise of the taxing power despite its collateral regulatory purpose and effect."⁴³

²⁵ Blough, op. cit. supra, note 34, at 416.

²⁶ 340 U. S. 42 (1950).

²⁷ S. Rept. No. 900, 75th Cong., 1st sess. 3 (1937); H. Rept. No. 792, 75th Cong., 1st sess. 2 (1937).

²⁸ 276 U. S. 394 (1928).

²⁹ 292 U. S. 40 (1934).

³⁰ Id. at 47.

³¹ *United States v. Sanchez* (340 U. S. 42, 43, 44 (1950)).

"We must conclude from the decisions that:

"1. Congress may regulate through taxation, even though the revenue produced is negligible and the activity taxed is hampered or even destroyed.

"2. Congress has power to do this even in those cases where it lacks constitutional power to regulate directly.

"3. The constitutional limits to which Congress may go in the use of the income tax law as a means of taking the profit out of organized crime have not been approached. Congress has a duty to use its power in this behalf."

LIMITS ON THE POWER OF CONGRESS TO REGULATE THROUGH TAXATION

The case of *McCray v. United States*,⁴⁴ represents the high-water mark of Congressional power, sanctioned by the Supreme Court, to regulate through taxation. Congress had no power to regulate or prohibit the manufacture of oleomargarine under the commerce or any other clause of the Constitution. The tax which Congress imposed was so heavy that it seriously limited the business possibilities of the oleo manufacturers. This was the frank design of the statute. The measure, consequently, produced only a very small amount of revenue. Nevertheless, the Supreme Court upheld the law in a decision which has never been overruled.

Congress has the power to classify taxpayers according to the activities from which the income results. The *McCray* case is such an example. It may also classify income as to origin or geographical source. Section 109 and 454 (f)⁴⁵ are clear examples of such classifications. Income of eleemosynary corporations is treated differently from that of a business enterprise. This is a classification based on the use to which the taxpayer puts the income.

Consequently, no objection could be raised to a classification of income on the basis of the legality or illegality of its source. No valid reason exists for not taxing illegal gains at much higher rates than honest income.

In *Barclay & Co. v. Edwards*,⁴⁶ the Supreme Court held that the "power of Congress in buying taxes is very wide, and where a classification is made of taxpayers that is reasonable, and not merely arbitrary and capricious, the fifth amendment cannot apply." In the earlier case of *Evans v. Gore*,⁴⁷ the Court had noted that the taxing power of Congress could be applied "to every object within its range 'in such measure as Congress may determine'"⁴⁸ and "enables that body 'to select one calling and omit another, to tax one class of property and to forbear to tax another,'"⁴⁹ and that the tax might be applied "in different ways to different objects so long as there is 'geographical uniformity' in the duties, imposts, and excises imposed."⁵⁰ There could, then, hardly be room for complaint of arbitrary or capricious action if Congress should decide to divide taxpayers into distinct categories on the basis of the legality or illegality of their activities and to apply one rate to legitimate income and another and much higher rate to illegal gains.

It costs the Government much more in time and expense to collect a tax on income produced by an illegal business than it does to collect from honest enterprise. On that basis alone, a large differential in rates is absolutely necessary to defray the extra cost. The fact that the high rate of tax would put the organized criminal out of business is a matter of which no one, not even the criminal, can complain. He is simply seeing

⁴⁴ 195 U. S. 27 (1904).

⁴⁵ Int. Rev. Code secs. 109, 454 (f).

⁴⁶ 267 U. S. 442, 450 (1924).

⁴⁷ 253 U. S. 245 (1920).

⁴⁸ Id. at 256.

⁴⁹ Ibid.

⁵⁰ Ibid.

²⁵ 38 Stat. 693 (1914).

²⁶ 48 Stat. 1236 (1934).

²⁷ 300 U. S. 506 (1937).

²⁸ 50 Stat. 75 (1937), 26 U. S. C., sec. 3520 (1946)).

²⁹ *Sunshine Anthracite Coal Co. v. Adkins* (310 U. S. 381 (1940)).

³⁰ 49 Stat. 991 (1935).

³¹ *Carter v. Carter Coal Co.* (298 U. S. 238 (1935)).

³² 49 Stat. 620 (1935), 42 U. S. C., sec. 301 et seq. (1946).

³³ 55 Stat. 687 (1941), 26 U. S. C., sec. 12 et seq. (1946).

³⁴ Blough, *The Federal Taxing Power* 414 (1952).

³⁵ Int. Rev. Code, sec. 101.

³⁶ Ibid.

³⁷ 66 Stat. 443 (1952).

³⁸ Int. Rev. Code, secs. 23 (m), 23 (n), 114 (b).

democracy at work at the necessary task of preserving itself from those who would destroy its basic foundations.

There is an obvious inconsistency in the tacit condonement which the Federal Government extends to the criminal when it taxes the income which he has taken from the community, often by force, but always in defiance of its laws, at the same rate as that which it applies to wholesome, honest income. The situation is even more grotesque when it is realized that the racketeer receives preferential treatment under the current application and enforcement of the Internal Revenue Code.

PRESENT METHODS OF TREATING THE EXPENSES AND LOSSES OF ILLEGAL ENTERPRISES

The Commissioner of Internal Revenue and the Tax Court hold that "legitimate expenses" of an illegal business are deductible.⁵³ They hold that items like rent, light, salaries, gasoline, depreciation, and similar items can be deducted by an illegal enterprise as "the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business."⁵⁴

This result is possible only on the basis of gross favoritism of the racketeers. A vast loophole has been created in the administration of the income-tax law which could be closed immediately if the desire to do so were present at the administrative level in the enforcement machinery. The Commissioner and the Tax Court are simply not following the law in the treatment that they are affording expenses and losses of illegal enterprises.

The income-tax law as originally enacted in 1913 made no pretense of taxing illegal gains. It imposed a tax upon the gains and profits from "any lawful business."⁵⁵

The Revenue Act of 1916 reenacted section 166 of the previous act, verbatim, except that the word "lawful" was omitted, so that the tax was, by the 1916 act, imposed on "interest, rents, dividends, securities, or the transaction of any business carried on for gains or profits and income derived from any source whatsoever."⁵⁶

The sections of the various revenue acts which deal with deductions from gross income have varied very little through the years, so that what is said about the current law⁵⁷ applies with equal force to the preceding years.

⁵³ *Comeaux v. Commissioner* (10 T. C. 201, 207 (1948)), affirmed in *Cohen v. Commissioner* (176 F. 2d (10th Cir. 1949)).

⁵⁴ Internal Revenue Code, sec. 23 (a) (1) (A).

⁵⁵ 38 Stat. 167 (1913).

⁵⁶ 39 Stat. 756 (1916).

⁵⁷ Int. Rev. Code sec. 23 (a) (1) (A):

"Sec. 23. Deductions from gross income: In computing net income there shall be allowed as deductions:

"(a) Expenses: (1) Trade or business expenses: (A) In general: All the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including a reasonable allowance for salaries or other compensation for personal services actually rendered; traveling expenses (including the entire amount expended for meals and lodging) while away from home in the pursuit of a trade or business; and rentals or other payments required to be made as a condition to the continued use or possession, for purposes of the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity."

Section 23 (e) relates to losses and provides as follows:

"(e) Losses by Individuals: In the case of an individual, losses sustained during the taxable year and not compensated for by insurance or otherwise—

From 1913 to 1925, the Commissioner of Internal Revenue refused to allow the expenses of an illegal business to be deducted from gross income. He also refused to allow losses suffered in an illegal business to be subtracted or deducted from gross income, regardless of whether the gross income was from an illegal or a legal activity. These opinions he clearly set forth in the bulletins which he issued during that period.⁵⁸

In 1925, the Board of Tax Appeals was called upon to decide in *James P. McKenna*⁵⁹ whether a bookmaker in the State of Kentucky, where his activities were illegal, should be allowed to deduct from his gross receipts the amounts he paid out to winners. The bookmaker operated on a modified pari-mutuel system. He treated his bookmaking en bloc and deducted from his year's receipts the payments made to winning bettors, as well as amounts returned to bettors in cases where bets were called off.

The Commissioner disallowed the deductions of the amounts paid to winners or returned to bettors and restored them to income. The Board stated the issue on the case to be "whether the winnings realized from gaming operations are taxable as income and if so, what portion of said winnings constitutes taxable income."⁶⁰

The bookmaker contended that his winnings on handbook operations should not be taxed at all because: (1) they did not constitute income within the view of the 16th amendment to the Constitution or within the Revenue Act of 1918; (2) under the laws of the State of Kentucky, such winnings were gifts and not income; and (3) even if construed to be income, they were not such

"(1) If incurred in trade or business; or

"(2) If incurred in any transaction entered into for profit though not connected with the trade or business."

⁵⁸ I. T. 1983, III-17 Cum. Bull. 1514 (1924) stated that the expenses of an illegal business were not deductible:

"The taxpayer accepts bets outside of licensed racetracks and under the statutes of the State of Kentucky his business is illegal.

"Held, the taxpayer is not entitled to claim deductions on account of expenses incurred in carrying on an illegal trade or business under section 214 (a) 1 of the acts and he should file returns of income for all years even though in some of them his losses and expenses exceed his winnings."

"The same opinion was expressed in I. T. 2127, IV-1 Cum. Bull. 138 (1925):

"Inasmuch as the operation of baseball pools is illegal in the State of Wisconsin, the amount paid out in prizes and the expenses of operating the pools are not allowable deductions as expenses incurred in carrying on a trade or business as contemplated by section 214 (a) 1 of the Revenue Act of 1921, and the taxpayer should file returns reflecting as his net income from the operation of the baseball pool the entire receipts therefrom, without credit for any deductions."

With regard to losses of an illegal business, I. T. 1854, II-2 Cum. Bull. 125 (1923) was to the effect that "losses in an illegal transaction are not deductible under the Revenue Act of 1921." Solicitor's Memorandum 2680, III-2 Cum. Bull. 110 (1924) was to the same effect:

"Under article 141 of regulations 45, it is the rule of the Bureau that losses sustained in illegal transactions were not deductible in the determination of net income. This rule is also applied to the year 1917. It is necessary therefore * * * to determine the status of losses incurred in betting on horse races to determine the legality of such transactions in the various States in which the taxpayer operated during the period in question."

⁵⁹ 1 B. T. A. 326 (1925).

⁶⁰ Id. at 328.

until after the statutory period of limitations had tolled the loser's right to recover his losses.

The bookmaker contended that his winnings were gifts and not income. The Board's opinion did not set out specifically what the contentions of the Commissioner were. It must be assumed, however, that his restoration to income of the amounts paid out to winners corresponded to the requirements of his published rulings to the effect that losses sustained in illegal transactions could not be deducted in determining net income.⁶¹

The holding in this case was that the winnings of the bookmaker, less his losses, constituted taxable income. The basic fallacy of this position is apparent. The Board completely ignored the fact that the bookmaker was engaged in an illegal and unlawful enterprise. It treated him as though he were a legitimate merchant selling goods or services in wholesome commerce and allowed gross income to be determined by subtracting from gross receipts the cost of goods or services sold. The inescapable fact is that the bets paid did not represent expenses incurred, since the winners had no legal right to enforce payment. This is true whether the gambler operated 1 hour, 1 day, or 1 year, and whether he made one bet or a thousand bets. These basic elements were ignored by the Board.

The view was expressed by the Board that "[t]he income tax law is strictly a revenue measure enacted for the purpose of raising the necessary revenues for the Federal Government."⁶² That premise is unsound. It is based on a philosophy that corresponds to neither the facts nor the law. There are many provisions of the code whose purpose and effect go far beyond the raising of revenue. The depletion allowance available to the oil and other natural resources industries⁶³ can be added to the examples already mentioned to show that the Board's basic concept of the income tax law as expressed in this opinion is completely out of harmony with reality.

The Commissioner acquiesced in the McKenna case and immediately revoked his prior rulings limiting deductibility of losses in illegal operations.⁶⁴ His haste in this respect contrasts strangely with the persistence and tenacity with which he is known to pursue revenue where legitimate business is the quarry.⁶⁵

Three days after the McKenna case was decided by the Board of Tax Appeals, the opinion in *Mitchell M. Frey*⁶⁶ was filed. The decedent was a successful businessman. He indulged in betting and gaming as an incident to his leisure hours, and these operations extended generally throughout the year. During 1919, he won \$900 and lost \$26,105 in betting on races, poker, and roulette. In 1920 he won \$26,588 and lost \$64,996. These

⁶¹ See note 58 supra.

⁶² *James P. McKenna*, 1 B. T. A. 326, 330 (1925).

⁶³ See note 38 supra.

⁶⁴ I. T. 2175, IV-1 Cum. Bull. 141 (1925).

⁶⁵ *Commissioner v. East Coast Oil Co.* (85 F. 2d 322 (5th Cir. 1936)), cert. denied, 299 U. S. 608 (1936), was decided in 1936, overruling *G. C. M. 8594*, IX-2 Cum. Bull. 354 (1930). The Commissioner did not acquiesce until 1947 in *G. C. M. 25131*, 1947-2 Cum. Bull. 85. *Dexter v. Commissioner* (37 B. T. A. 1331 (1938)), aff'd, 99 F. 2d 769 (1st Cir. 1938), and *Commissioner v. Nell* (P-H 1942 TC Mem. Dec. ¶ 42,586 (1942)), petition to review denied, 139 F. 2d 865 (4th Cir. 1944), were decided in 1938 and 1942, overruling rulings of the Commissioner. He is still trying to enforce his views with regard to section 131 of the Internal Revenue Code. See *Brace v. Commissioner*, P-H 1952 TC Mem. Dec. ¶ 52,265 (1952).

⁶⁶ 1 B. T. A. 338 (1925).

amounts were won or lost in illegal operations. The estate claimed that the transactions were entered into for a profit. The amounts won were included as income and the losses claimed as a deduction from total income. The Commissioner argued that each venture was a separate item, that those in which winnings were made stood apart from those in which money was lost, and that total winnings had to be returned and taxed, while totals of the losses could not be deducted.

The opinion in this case recognized the voluntary nature of the payment of gambling losses and concluded that such losses were not "incurred" within the meaning of section 214 (a) of the Revenue Act of 1918.⁶⁷ The Board held also that the word "transaction" as used in the statute meant a legal transaction. On the basis of the decision in the McKenna case, however, the Board held that the decedent's tax liability should be computed on a yearly basis and if, as was the fact in this case, his losses exceeded his gains, he would in reality have had no gain, hence no income, from gaming.

This refusal by the Board to test each expenditure separately as to its deductibility in arriving at net taxable income constituted a clear departure from the law as announced in the same opinion. It represents as well gross favoritism of illegal business over honest enterprise. If an expenditure is not deductible because it is not incurred in a legal transaction, there is no reason to permit its deduction in an illegal activity. The fact that the taxpayer won some money in an illegal transaction during the year means simply that he had taxable income. Money lost in illegal gambling is not made deductible as incurred simply because more was lost than was won. The case was wrongly decided. It should have been appealed. Instead it was acquiesced in.

These two cases, McKenna and Frey, constitute the opening wedge through the operation of which a glaring loophole has been worked for the benefit of syndicate gamblers and racketeers.

Within a few days after the opinions in the McKenna and Frey cases, the Commissioner issued a bulletin incorporating the holdings in those cases.⁶⁸

⁶⁷ Ibid.

⁶⁸ I. T. 2175, IV-1 Cum. Bull. 141 (1925) provides as follows:

"In the appeal of James P. McKenna (decision No. 127, docket No. 121, 1 B. T. A. 326), acquiesced in by the Commissioner, the Board of Tax Appeals held that the net gains of the taxpayer arising out of his illegal business of operating a handbook constituted taxable income under the Revenue Act of 1918, but that the gross income of the taxpayer derived from such bookmaking operations should be determined by applying against the total receipts therefrom the sum of the amounts paid to bettors on his handbook plus amounts returned to bettors by reason of scratches, called-off bets, and lay-off bets.

"In the appeal of Mitchell M. Frey, et al., executors William B. Scaife Estate (decision No. 128, docket No. 391, 1 B. T. A. 338), acquiesced in by the Commissioner, the Board of Tax Appeals held that losses sustained in illegal gambling operations are not deductible under section 214 (a) of the Revenue Act of 1918. The Board held, however, that the taxpayer was entitled to offset his gains from illegal transactions against his losses from such transactions and, therefore, the amounts won by the taxpayer during the years in question, being less than the losses sustained by him, did not constitute taxable income.

"In view of these decisions, I. T. 1983 (C. B. III-1, 124) and I. T. 2127 (see p. 138) are modified to conform thereto."

THE LEGAL POSITION OF EXPENSES AND LOSSES OF AN ILLEGAL BUSINESS UNDER THE INTERNAL REVENUE CODE

There are at least 3 good, sound, unassailable reasons why expenses and losses of an illegal enterprise are not deductible: (1) an expense or a loss is not incurred under section 23 of the code unless it represents a legally fixed and binding obligation; (2) the words "trade or business," as used in section 23 of the code, mean a legal trade or business; and (3) expenses and losses of an illegal enterprise are not deductible where, to allow their deduction, would frustrate sharply defined policy.

1. An expense or a loss is not incurred under section 23 of the code unless it represents a legally fixed and binding obligation.

Voluntary disbursements, such as gratuities, debts of honor, moral obligations cannot be deducted as losses by a legitimate business. The word "incurred" means that a legal obligation had become firmly fixed before the disbursement was made. Abundant case law, including the cases of *Lucas v. Ox Fibre Brush Co.*⁶⁹ and *Bauer Bros. v. Commissioner*,⁷⁰ establishes this interpretation of the word "incurred" as used in section 23 of the code. All of the cases, it is admitted, deal with legitimate business. If a legitimate business, in order to deduct an expense or a loss, is held to the rule that the sum sought to be deducted must represent a legal obligation, does it not produce a grotesque result to say that if the enterprise is illegal, if it is a racket, then disbursements which do not represent legal and binding obligations may be deducted as expenses and losses?

Applying the principle of law of the *Bauer* and *Lucas* cases to the subject matter before us, it seems very evident that where the owner of real estate leases it to a gangster or to a vice, narcotics, or gambling syndicate, and the property is used for illegal purposes, the lease is not enforceable and the landlord cannot collect the rent. The landlord is under a duty to see that his property is not used for illegal purposes. He is presumed in law to know what uses are being made of his premises.⁷¹ The payment of the rent by the operator of such an establishment is purely voluntary.⁷² The rent is not an enforceable obligation and should not, therefore, be permitted as a deductible expense.

⁶⁹ 281 U. S. 115 (1930).

⁷⁰ 46 F.2d 874, 875 (6th Cir. 1931):

"Our first concern is with the sense in which the term 'incurred' is used in section 234. It seems not to be disputed here that expenses are incurred only when there is an agreement or a legal obligation to pay them. * * * Indeed, that seems to be the view taken of the very language of this section by the Supreme Court of the United States in *Lucas, Commissioner of Internal Revenue v. Ox Fibre Brush Co.* (281 U. S. 115). * * *

"It will therefore be observed that, whether the term 'incurred' as used in the Revenue Act of 1918 is used in a technical legal sense or in an economic or bookkeeping sense, the expenses are not incurred unless there has arisen a legal obligation to pay them, and they do not accrue within a given taxable year unless all the events which fix the amount and determine the liability of the taxpayer to pay occur within that year."

⁷¹ *People v. Brickey* (332 Ill. App. 370, 75 N. E. 2d 534 (1947)); *People v. Viskniskki* (155 Ill. App. 292 (1910)); *People v. Leach* (143 Ill. App. 442 (1908)); *People v. Brewer* (142 Ill. App. 610 (1908)).

⁷² *Harris v. McDonald* (194 Ill. 75, 62 N. E. 310 (1901)); *Heidenreich v. Raggio* (88 Ill. App. 521 (1899)); *McDonald v. Tree* (69 Ill. App. 134 (1897)). See also Ill. Rev. Stat. c. 38, sec. 333 (1951).

The salaries which a racketeer pays to his assistants arise through a void employment contract. If such an employee sues the gangster for his wages for helping him (the gangster) commit a murder, an extortion, a rape, it is perfectly obvious that nothing can be collected on such a contract. It is equally true that the cashiers, the shills, the steers, the chauffeurs, the waitresses, the bartenders, employed in the gambling joint cannot enforce those wage contracts, and the payment of their salaries for the purposes of section 23 is purely voluntary.⁷³ The duties thus performed represent integral parts of the illegal venture. They are not "just a little bit illegal"; they are entirely illegal. This view is well expressed in *Silberman v. Commissioner*,⁷⁴ where the Board said:

"Petitioner's gambling operations were illegal and the amounts he expended for fees and salaries were expenditures made to obtain occupancy and services which were illegal. Petitioner contends that the gambling activities were not 'illegal' because they were not 'criminally punishable,' or that they were 'illegal' only in the sense that they were 'ultra vires.' The argument is without merit and is confused in many respects. It is wholly immaterial here that the statutory offense involved in *malum prohibitum* rather than *malum in se*. Petitioner's argument in essence is that his gambling operations were only 'a little bit' illegal because the penalty of forfeiture of a bet received if a civil action is brought to recover the bet is only a slight penalty. The only merit of the argument is its humor. We must proceed here with recognition that without any doubt betting, receiving, and recording bets, letting a booth be used for the same, and assisting anyone in doing the same, all were illegal under New York statutes."⁷⁵

In the *Silberman* case the operating expenses were those of a racetrack gambler. He rented booths at various tracks. He employed persons to register bets and to assist him. He paid salaries for their services. These items aggregated \$12,633 for the taxable year. *Silberman* claimed he was entitled to deduct the items as ordinary and necessary business expenses or as losses under section 23. Under State law it was illegal to rent a booth to be used for receiving or recording bets, and it was also illegal to assist in receiving or recording bets. The lease was unenforceable, as were the employment contracts.

The considerations which require expenses of an illegal enterprise to be unavailable as a deduction would also make illegal gambling unavailable as deductions, except for the distortion created by the case of *Humphrey v. Commissioner*,⁷⁶ to be noted hereafter.

The foregoing view is supported by the holding in *Wagner v. Commissioner*.⁷⁷ Taxpayer in that case invested \$15,000 in a small loan business in violation of the laws of Michigan. The district attorney raided his office, tore the place apart, and confiscated the records. The total investment was lost. In denying a deduction as either a loss or an expense, the board took the view that the enterprise was illegal and that neither a loss deduction nor an expense deduction can be had if they are incurred or sustained in the commission of acts forbidden by statute or in the omission of acts made mandatory by statute, subjecting those guilty to either a fine or imprisonment or both. The reasoning

⁷³ Ill. Rev. Stat. c. 38, sec. 325 (1951), makes it a crime to rent places for gambling purposes. Also see Ill. Rev. Stat. v. 38, sec. 329 (1951), making all contracts based on gambling void.

⁷⁴ 44 B. T. A. 600 (1941).

⁷⁵ Id. at 603.

⁷⁶ 162 F.2d 853 (5th Cir. 1947).

⁷⁷ 30 B. T. A. 1099 (1934).

which leads to such a result as to an expense applies with equal force to a loss.⁷⁸

2. The words "trade or business," as used in section 23 of the code, mean a legal trade or business.

The case of *Humphreys v. Commissioner*⁷⁹ (not to be confused with *Humphrey v. Commissioner*) illustrates this principle of statutory construction. The court stated that Humphreys' profession was regarded as that of a gangster and a racketeer. He claimed as deductible expense the cost of the gasoline for the automobile used in transportation about the city of Chicago to and from his illegal business. Another item was for garage storage, service, and depreciation. The case reached the Circuit Court of Appeals in the Seventh Circuit. The Board of Tax Appeals,⁸⁰ as well as the circuit court, found that Humphreys was not engaged in any "business" within the meaning of the statute, because his activities were illegal. He was not engaged in any legal business. On a parity of reasoning, it follows that a gambling, narcotics, or vice joint is not a "business," with the consequent result that operating expenses are not deductible.

Humphreys' activities which produced his income were illegal and illegitimate. So are the activities of the proprietor of a house of prostitution. So are the activities of the proprietor of a gambling house or a horse parlor, or those of the owner or operator of slot machines, in all except one or two of our States.

It is a crime in Illinois, and in most other States, to employ a man to work in a gaming house.⁸¹ It is a crime to lease property for that purpose.⁸² In the face of the Humphreys decision, how can it be claimed that the expenses and losses of such businesses are deductible under section 23? The expenses for light, heat, and salaries are items which are integral parts of the legal enterprise. There are no such things in law as

legitimate expenses of an illegitimate business.

The words "trade or business" in section 23 can only mean legal trade or business. A strong authority for this proposition and the principle involved is *Walsch v. Call*,⁸³ which had to do with the interpretation of an exemption statute which exempted from execution the goods of a person used in his trade or business. The plaintiff was operating a saloon and selling liquor illegally. An execution was levied on the liquor, and the owner claimed the benefit of the statute. The court stated:

"[W]e are of the opinion, and so hold, that the term 'trade or business,' as used in the statute * * * must be construed to mean some lawful trade or business, and that no person who is engaged in any business which is prohibited by law, is entitled to any exemption of his tools, implements or stock in trade used and kept for the purpose of carrying on the same, unless such property be exempted by some provision of law other than the statute under consideration."⁸⁴

The widening breach of the loophole is observed in the opinion of the tax court in *Ellery v. Commissioner*.⁸⁵ In that case, the taxpayer, a big-scale slot machine operator, had been convicted for fraud under the income tax law and was about to leave town to serve his sentence. To preserve better his illegal business, he formed a partnership with his wife and left her in charge. The case holds that under Ohio law a partnership may be formed for a legal purpose only. Therefore, no partnership resulted. All of the income was charged to the husband.

It further appears from this opinion that Ellery operated slot machines illegally. He claimed a deduction of \$500 allegedly spent to defray the cost of a banquet to entertain his best customers, but he failed to prove the amount spent. It was disallowed on that ground. Nevertheless, the opinion contains unnecessary, as well as wholly inaccurate, reference to the case of *Commissioner v. Heininger*,⁸⁶ to be discussed presently, and says that that case casts doubt on the holding of the Board of Tax Appeals in the Silberman case. The Heininger case involved a lawful business. Neither the Silberman nor the Ellery cases related to a lawful enterprise. There is nothing in the Heininger case that has any bearing on a case where the items sought to be deducted relate to expenses or losses of an illegal business. The language in the Ellery case was not only gratuitous but grossly erroneous.

The Tax Court in *Stralla v. Commissioner*⁸⁷ was concerned with expenses of a gambling ship which was anchored within the headlands of the Santa Monica, Calif., harbor. The courts had held that the ship was within the jurisdiction of the State of California and that its operation was illegal. Certain expenses for which deduction was claimed consisted of fines, penalties, attorneys' fees spent in defense of criminal charges and lobbying. These were denied deduction:

(1) The allowance of the deductions here claimed would be in our opinion "to frustrate sharply defined * * * policies" of the State of California proscribing gambling operations. The expenditures here in issue (i. e., fines, penalties, attorneys' fees, etc.) were not made in the actual production of income; deduction of expenses of that character (i. e., expenses related to the actual production of income) has been allowed. The expenditures here were made to per-

petuate or to assure the continuance of an illegal business, and their deduction, in our opinion, would be contrary to public policy and not within the meaning, purpose, and intent of the statute.⁸⁸

The Stralla case is long and involved on its facts, and it is not exactly simple to understand the language of the court as quoted above in terms of the precise issues. It appears, however, that the operators of the gambling ship in their tax returns deducted from gross income expenses such as salaries, repairs, light, and power. The Commissioner had allowed the deduction. They were not, therefore, at issue in the case. Consequently, the court in saying that "deductions of expenses of that character has been allowed" was simply referring to what had already happened in the case and was not attempting to say that there was any judicial or statutory authority to justify such treatment. This point is important in view of what happened in *Comeaux v. Commissioner*,⁸⁹ to be noticed presently.

There is, of course, no basis in law, commonsense, or reason, for saying that money spent for salaries, rent, light, heat, are not "expenditures * * * made to perpetuate or to assure the continuance of an illegal business,"⁹⁰ for without these disbursements, the illegal business could not be perpetuated for a single day. Nor is there any basis for the view that the money spent in the payment of a fine, or for attorneys' fees in defending a criminal charge brought against a gambling operator, is not an expenditure "made in the actual production of income."⁹¹ With the operator in jail, income would dry up quickly. There is no validity in the fine distinctions drawn by the court in this case in support of the deductibility of salaries and like expenses. It is significance as well that no authority is cited in support of the position taken by the Commissioner and the gratuitous statement of the court in describing said position.

In *Comeaux v. Commissioner*⁹² for the first time the Tax Court used the language, "legitimate expenses of an illegitimate business," and cited the Stralla case as authority for their being allowable as deductible expenses. Of course, the Stralla case is no authority for that proposition at all. It could not be by reason of the simple fact that that issue was not before the court. Nevertheless, the Tax Court in the Comeaux case said:

"The second issue relates to the deduction of salaries and miscellaneous expenses, the 'legitimate expenses of an illegitimate business.' The amount of such items is not in dispute. These expenses were incurred in earning the income reported by petitioner or attributed to him by respondent. In *Anthony Cornero Stralla* (9 T. C. 801), at 821, this court recognized that such expenses are deductible, in contradistinction to those expenses which are not deductible because contrary to public policy. We said: 'The expenditures here in issue were not made in the actual production of the income; deduction of expenses of that character has been allowed.'"⁹³

The Comeaux case reached the Circuit Court of Appeals, and there it appears that the Commissioner "agreed that * * * legitimate expenses incurred in an illegitimate business are deductible."⁹⁴ The claim is justified that the Commissioner has been soft with the gamblers and racketeers. He has

⁷⁸ Id. at 821.

⁷⁹ Ibid.

⁸⁰ 10 T. C. 201 (1948).

⁸¹ *Stralla v. Commissioner* (9 T. C. 801, 821 (1947)).

⁸² Ibid.

⁸³ 10 T. C. 201 (1948).

⁸⁴ Id. at 207.

⁸⁵ *Comeaux v. Commissioner* (176 F. 2d 394, 400 (10th Cir. 1949)).

⁸⁶ 32 Wis. 159 (1873).

⁸⁷ Id. at 161, 162.

⁸⁸ 4 T. C. 407 (1944).

⁸⁹ 320 U. S. 467 (1943).

⁹⁰ 9 T. C. 801 (1947).

⁷⁸ In the *Wagner* case, supra, note 78, the court said:

"The petitioner engaged in a business prohibited by the 'Small Loans Act' of Michigan. He made loans under contracts which he knew or should have known were void and unenforceable under such act. In our opinion the instant proceeding is governed by the principle enunciated in the above cited cases and is a loss arising from the operation of a business prohibited by State statutes, subjecting those violating them, upon conviction, to fine or imprisonment, or both, and is not deductible under section 214 (a) (4) and (5) of the Revenue Act of 1926." Id. at 1106, 1107.

⁷⁹ 125 F. 2d 340 (7th Cir. 1942):

"The further controlling facts adduced at the hearing before the Board showed that during the tax years in question the petitioner was not engaged in any legitimate business. He was regarded as a gangster and racketeer." Id. at 341.

"The final point raised concerns the disallowance of \$2,526 as a business expense, made up as follows: \$500 for gasoline and oil; \$451 for garage and service; and \$1,575 on account of depreciation on an automobile. Expenses of this nature are deductible only if they are incurred 'in carrying on any trade or business' sec. 23 (a) * * *. The Board sustained the action of the respondent in disallowing these deductions on the ground that the petitioner was not engaged in any business within the meaning of the statute. We agree and in view of what we have already said in this opinion relative to petitioner's activities, it will not be necessary to discuss the matter further." Id. at 343.

⁸⁰ *Humphreys v. Commissioner* (42 B. T. A. 857 (1940)).

⁸¹ Ill. Rev. Stat. c. 38, sec. 325 (1951).

⁸² Ibid.

no authority whatsoever for agreeing to allow and allowing the so-called legitimate expenses of illegal businesses. All expenses related to a gambling joint are incurred in carrying on an illegal business and are an integral part of the same.

In the *Comeaux* case, the statement was made that "[T]he income tax law is not a tax on gross income, even if the income be earned in an illegal business."⁹⁸ Issue must be taken with that statement. The question of whether the Internal Revenue Code operates in a given case as a tax on gross income depends upon whether the taxpayer has any legal deductions or exemptions as defined in the law. If the claimed deductions cannot be brought within the legal limits of the law, it is purely incidental that the tax rate applies to gross receipts.⁹⁹

It is plainly evident that no case authority exists in support of the present practice of allowing a deduction of the expenses of operating a business which is condemned by statute as illegal.

As to the deduction of gambling losses, a statutory development must be noted. It has been pointed out that the case law does not justify the deduction of gambling losses from gross income where, by State law, gaming is illegal. It has always been the case, however, that where the taxpayer engaged in gaming in a State where that occupation was legal, his losses in respect to that activity were treated exactly as were losses suffered in any other legal business.¹⁰⁰

The Treasury was not quite satisfied with this state of affairs and in 1942 proposed to Congress an amendment to section 23 which assumes the present form of section 23 (h).¹⁰¹ The Treasury desired by the proposed amendment to limit the deduction of legal gambling losses to the amount of legal gambling winnings. The intention was to prevent a resident of Illinois, for example, who might go to Monte Carlo or Reno and who might (and usually did) lose sizable sums, from deducting said losses from his gross income produced by his regular legal occupation. This intention is clearly shown in the statement made by Professor Magill on behalf of the Treasury favoring the amendment.¹⁰²

⁹⁸ *Comeaux v. Commissioner* (10 T. C. 201, 207 (1948)).

⁹⁹ *Kjar v. Commissioner* (P-H 1941 B. T. A. Mem. Dec., par. 41,446 (1951)) at p. 978: "But while we are required to compute gross income in the same manner whether the taxpayer's business be legal or illegal, we do not allow the same deductions in computing taxable net income. As we have already indicated, supra, this is because of well founded policy reasons aimed toward giving rewards (deductions, in this case) to only those who conduct their everyday lives and business within the confines of the law. Accordingly we disallow any deductions for amounts paid for storage of liquor or for loading."

¹⁰⁰ *Beaumont v. Commissioner* (25 B. T. A. 474 (1932)).

¹⁰¹ Internal Revenue Code, sec. 23 (h): "Wagering Losses. Losses from wagering transactions shall be allowed only to the extent of the gains from such transactions."

¹⁰² Hearings before the Committee on Finance on H. R. 7835, 73d Cong., 2d sess. 32-33 (1934), where Dr. Magill testified as follows: "Dr. MAGILL. The next paragraph (g), is a new provision which is self-explanatory, that losses from wagering transactions are to be allowed only to the extent of gains from such transactions."

"The CHAIRMAN. Explain that paragraph." "Dr. MAGILL. The line which the Treasury draws is, I believe, whether or not the particular gambling transaction was legal in the State in which it occurred; and they have

In spite of the unmistakable purpose of section 23 (h) as shown by the Senate Finance Committee report, the gamblers received a big assist from the Circuit Court of Appeals in the case of *Humphrey v. Commissioner*.¹⁰³ The court there held that section 23 (h) applied to all gambling losses, whether carried on legally or not and whether carried on for a profit or not. There is a strong dissenting opinion. In view of the unmistakable Congressional purpose in enacting section 23 (h), the case was wrongly decided. Congress should by all means make a further amendment to 23 (h) for the purpose of removing the distortion resulting from the *Humphrey* opinion.

3. Expenses and losses of an illegal enterprise are not deductible where to allow their deduction would frustrate sharply defined public policy.

This premise is the strongest of the three and is the most compelling in denying the deductibility of any expense of an illegal enterprise or any of its losses.

Our point of departure should be a definition of the term "public policy." What is it? The term "public policy" has been subject to a multitude of definitions. For our purposes here let us resort to the limited rule which is as follows:

"* * * The public policy of a state or a nation must be determined by its constitution, laws, and judicial decisions; not by the varying opinions of laymen, lawyers, or judges as to the demands of the interests of the public."¹⁰⁴

Reference to the statutes of Illinois discloses that it is made a crime to rent or occupy a room or enclosure for the purpose of commercial gambling¹⁰⁵ or prostitution¹⁰⁶ or to possess or use any device for the purpose of recording or registering bets or wagers.¹⁰⁷ It is illegal for any person to register or record bets or wagers whether he does it on his own account or as agent for another.¹⁰⁸ These various components of an illegal enterprise are all integral parts of the illegal venture.

Practically every phase of gambling activity, if it is practiced on a commercial basis, is condemned by the laws of the State of Illinois and most other States. It is safe to say that the public policy in that respect is sharply defined, even within the terms of the limited rule.

To advance our thesis a little further, under this point, reference must be made to the *Heininger* case. *Heininger* was a Chicago dentist who used the United States mails in the conduct of his business. He made false teeth for people without ever having seen them. He advertised extensively. Some of his representations concerning his goods were found by the Postmaster General to be fraudulent. It is important to notice at the outset

gone into a good deal of dissertation as to whether it is legal gambling.

"Senator REED. Also, haven't they discussed the question of whether that is the taxpayer's regular business?"

"Dr. MAGILL. You wouldn't need to in this connection, because he could get the deduction as a loss if the transaction was entered into for a profit, in the event that the transaction was legal."

This quotation also appears in *Humphrey v. Commissioner* (162 F. 2d 853, 855 n. 1 (5th Cir. 1947)).

¹⁰³ 162 F. 2d 853 (5th Cir. 1947).
¹⁰⁴ *Hartford Fire Ins. Co. v. Chicago M. & St. P. Ry.* (70 Fed. 201, 202 (8th Cir. 1895)), aff'd, 175 U. S. 91 (1899).

¹⁰⁵ Ill. Rev. Stat., ch. 38, sec. 325 (1951).

¹⁰⁶ Id., sec. 162.

¹⁰⁷ Id., secs. 341, 342, 343.

¹⁰⁸ Id., secs. 336, 338.

¹⁰⁹ *Commissioner v. Heininger* (320 U. S. 467 (1943)).

that *Heininger* was in a lawful business. He was engaged in a legitimate profession, recognized by the State from whom he held a license to practice.

Pursuant to sections 259 and 732 of title 39 of the United States Code, hearings were held before the Solicitor of the Post Office Department, which hearings resulted in a fraud order being issued against *Heininger* denying him the use of the mails. *Heininger* fought the fraud order all the way up to the Supreme Court and lost. On his income tax return he claimed legal expenses incurred in defending himself against the fraud order, in the amount of \$36,600, as deductible under section 23 (a) (1) (A). The Commissioner of Internal Revenue disallowed the item because allowance would frustrate the sharply defined policies of the above-mentioned code sections, which authorized the Postmaster General to issue fraud orders.

The Supreme Court upheld *Heininger* saying:

"The single policy of these sections is to protect the public from fraudulent practices committed through the use of the mails. It is not their policy to impose personal punishment on violators; such punishment is provided by separate statute, and can be imposed only in a judicial proceeding in which the accused has the benefit of constitutional and statutory safeguards appropriate to trial for a crime. Nor is it their policy to deter persons accused of violating their terms from employing counsel to assist in presenting a bona fide defense to a proposed fraud order. It follows that to allow the deduction of respondent's litigation expenses would not frustrate the policy of these statutes; and to deny the deduction would attach a serious punitive consequence to the Postmaster General's finding which Congress has not expressly or impliedly indicated should result from such a finding. We hold, therefore, that the Board of Tax Appeals was not required to regard the administrative finding of guilt under title 39, United States Code, sections 259 and 732, as a rigid criterion of the deductibility of respondent's litigation expenses."¹⁰⁹

It appears from the reasoning exhibited in this opinion that if *Heininger* had been charged with the crime of using the mails to defraud and had been convicted, his legal expense would not have been deductible because to have permitted deductibility would have frustrated the sharply defined public policy of the mail fraud sections of the law.

Applying this reasoning to the illegal businesses of gambling, prostitution, extortion, and racketeering in general, we can say that any expense arising out of an activity which is prohibited and punished by law must be denied deductibility, because it frustrates the public policy which is sharply defined by the statute.

The case of *Lilly v. Commissioner*¹¹⁰ is significant. The issue was whether the kickbacks by optical houses could be deducted by them (the optical houses) as ordinary expenses under section 23 (a) (1) (A). There was no statute, either State or Federal, condemning the rebate practice. As a result of that state of fact, the Supreme Court said: "The policies frustrated must be National or State policies evidenced by some governmental declaration of them. In 1943 and 1944 there were no such declared public policies proscribing the payments which were made by petitioners to the doctors."¹¹⁰

Of course, in the case of commercial gambling we do have a declared public policy in

¹⁰⁹ Id. at 474.

¹¹⁰ 343 U. S. 90 (1952), reversing 14 T. C. 1066 (1950), 188 F. 2d 269 (4th Cir. 1951).

¹¹¹ *Lilly v. Commissioner* (343 U. S. 90, 97 (1952)).

statute form, condemning the enterprise and making it entirely illegal.¹¹¹

The Lilly case also points out the fact that the issue to be resolved in this respect is quite different where the enterprise is an illegal one:

"We do not have before us the issue that would be presented by expenditures which themselves violated a Federal or State law or were incidental to such violations. In such a case it could be argued that the outlawed expenditures, by virtue of their illegality, were not ordinary and necessary business expenses within the meaning of section 23 (a) (1) (A)."¹¹²

The operation of a gambling house is illegal by State law.¹¹³ Any expenditure made in its operation would certainly be incidental to such violation.

The conclusion is reached that Congress has not only the power, but the duty as well, if it is preoccupied at all with the general welfare of the people, to classify illegal gains separately from honest income and to tax the former at a much higher rate. Section 23 (h) should be amended and made to express clearly and unmistakably the purpose for which it was enacted. The Bureau should restore the former rulings which denied deduction of expenses and losses of illegal business.

SCHOOL-LUNCH PROGRAM SHOULD BE EXPANDED

Mr. PROXMIRE. Mr. President, an excellent review of the school-lunch program has recently come to my attention. It was printed in the *Machinist*, the official publication of the International Association of Machinists, a labor organization which has a particularly fine reputation for its interest in matters concerning the general welfare.

The school-lunch program represents the kind of public-expenditure program that makes good sense. It represents an investment in our country's future. During World War II, the entire Nation was shocked by the disclosure of serious physical deficiencies among a disturbingly large proportion of our young men. A major portion of those physical deficiencies were due to inadequate diets during the early years of their lives. Many young men were disqualified from military service on account of physical deficiency. Here, Mr. President, is a most clear-cut demonstration of the national interest in maintaining a program such as the school-lunch program. It is clearly in the national interest to see to it that adequate food is provided to our growing children, so they can develop healthy, strong bodies. Very closely akin to the national interest in free public education, it is every bit as essential that our young people have strong, healthy bodies, as it is that they have well-trained minds.

Mr. President, in this country we are blessed with an abundance of food. Our abundance too often is regarded as a curse, instead of a blessing, and this evaluation is used to justify enormous

waste of food and food-producing capacity. Expansion of the school-lunch program is clearly a wiser, sounder, and more humane direction to take.

I ask unanimous consent, Mr. President, to have the review of the school-lunch program from the *Machinist* magazine, printed in the *RECORD*.

There being no objection, the article was ordered to be printed in the *RECORD*, as follows:

On an ordinary school day last year, 10 million boys and girls around the country sat down to a hot lunch that included a meat, vegetable, fruit, bread and butter, and milk.

They ate this lunch in their school cafeteria.

Most of them paid 25 cents for it; a few paid nothing.

These children probably were concerned only with whether the food was good, the lunch attractive.

But their parents have reason to be concerned over something deeper. Lunches have been served for 12 years under the school lunch program, administered jointly by the Federal Government and the States. As a result, schoolchildren have better diets and better eating habits. For some children, this lunch is the only square meal of the day. Yet the program has been undercut for years, and may be slashed again this year.

United States Senator HUBERT HUMPHREY, of Minnesota, one of the school lunch program's staunchest supporters, charges that the appropriation requested by President Eisenhower amounts to a 20 percent cut. In dollars, the requested appropriation is the same as that of the current fiscal year—\$100 million. But the number of children who will be getting lunches under the program is expected to go up 20 percent.

Furthermore, the Agriculture Department, which has been using up much of its store of surplus farm products by giving them to the schools to use in lunches, reports that the surpluses are about gone and no one expects production to be so great the Government will be buying more this year.

School superintendents have been complaining recently, HUMPHREY says, that they are getting less and less of such foods as pork, turkey and beef. Since there will probably be none of these next year, the schools will have to buy whatever meats they serve.

Thus the school lunch program will enter its 13th year of operation next September, threatened with shorter supplies and a tighter budget. To understand these problems, it is necessary to know how the program operates.

Beginning at the local level, lunches are prepared and served by schools, usually with the help of the mothers of the community, or the PTA or other groups. The State partly reimburses the schools and helps buy locally grown fresh fruits and vegetables with money provided by the Federal Government, and matched with funds from within the State.

Altogether Federal aid to schools includes: Reimbursement for lunches: the average is about 4 cents a plate. Last year 83 cents out of every dollar appropriated went for this purpose.

Money for locally grown food: the Agriculture Department is authorized to spend up to a quarter of the available money to buy foods and give them to the schools. Last year 15 cents out of every dollar was used this way.

Surplus food donations: Congress provides that foods bought to help the farmers maintain prices may be given to the schools. Last year such foods included pork, turkey, eggs, frozen beef and dairy products, particularly milk.

The school-lunch program had its beginning in 1935 as an outlet for a large amount of surplus foods the Government had bought. Rather than let it sit in warehouses, Congress said the food should go to schools to help feed needy children.

After World War II came, the selective-service boards began calling attention to the large number of young men rejected for armed service because of ailments probably due to malnutrition in their childhoods. People began to take more interest in the diets of growing children, and this helped put the pressure on Congress in 1946 to pass the National School Lunch Act, making the program permanent. Emphasis shifted from providing for the needy to providing better diets for all children.

The Agricultural Marketing Service, the agency which administers the Federal end of the program, reports that lunches are now served to one out of every four schoolchildren. The number would be greater if more schools had lunch-room facilities.

Even now, nearly 2 billion meals are served a year, with the number increasing. In addition to these meals—which include milk—3,503,000 half pints of milk are distributed for snacks under the lunch program and the closely related special milk program.

Congress has authorized the special milk distribution for the past 4 years to encourage the use of dairy products. There is in Congress now a bill to extend the program 2 more years after June 30, the date it is due to expire.

To qualify for school-lunch aid, a school must apply through its State education agency and agree:

To operate on a nonprofit basis.
To serve meals meeting a nutritional standard set by the Agricultural Marketing Service.

To offer the lunch at a reduced price or free to children who can't pay the full price.

Most schools serve what is commonly called the "hot lunch," but which the Agriculture Department designates as the type A lunch. It is a well-balanced meal, both in quality and quantity. There is a type B lunch which schools with limited facilities may serve, offering two-thirds as much food value.

Here is a typical top-quality menu: Ham, baked sweet potato, pear salad, rye bread and butter, milk, and ginger cookies.

This is a good meal by anybody's standard, and it costs money to serve. In 1947, Uncle Sam was willing to foot the bill at the rate of \$18 a year per child. This year with prices much higher, Congress appropriated only about \$9 per child.

The shortchange didn't come overnight. It has been happening, as the record shows, over the entire life of the school-lunch program. However, the sharpest cut came in 1952, when the funds per child dropped back to \$11, then dwindled to \$9 in succeeding years. In the last few years, unions, parents, and liberal groups have been fighting to restore the program. Senator HUMPHREY recently asked that the appropriation for next year be increased to \$120 million—a fifth more than the administration budget calls for.

"An increase of \$20 million in the appropriation is not nearly as much as the program needs to meet its requirements, but at least it would keep it on the same level as this year," HUMPHREY says.

While urging Congress to increase funds, HUMPHREY has criticized the Agriculture Department for making no move to expand the program but instead cutting back its aid to schools in supplying food directly.

Granting the surpluses are short, HUMPHREY maintains that the Agriculture Department—which in 1956 and to a lesser extent in 1957 bought up the pork, turkey,

¹¹¹ See notes 103, 105, 106 supra. For other State statutes to the same effect, see, for example, Mo. Rev. Stat., sec. 563.370 (1949) and N. Y. Penal Law, sec. 971 et seq.

¹¹² *Lilly v. Commissioner* (343 U. S. 90, 94 (1952)).

¹¹³ See note 103 supra.

eggs, and beef to aid farmers—could now buy these same foods at very little more than it paid before, to aid schoolchildren. Yet no one in the Department has asked for funds with which to do so.

Furthermore, the Senator claims, Department officials could ask Congress for additional money with which to buy locally grown fresh foods under the School Lunch Act. But they have not done so.

Congress will have to vote on the school-lunch appropriation in the next few months. Already the House of Representatives has held hearings. The Senate will be doing so shortly, though no schedule has been set yet.

Meanwhile, another group of school-lunch opponents threaten to attack from another front. These are the program's critics who would like to see the entire operation given to the States. They claim that this is a local enterprise and should be administered locally. However, many States would curtail the program or cut it out entirely if the Federal Government withdraws.

Pennsylvania's Gov. George M. Leader helped forestall a move to let the States have the program last fall when a committee of governors and administration officials considered such a recommendation to Congress. The group finally decided no change should be made in the school-lunch setup at this time. However, a House intergovernmental subcommittee headed by Representative L. H. FOUNTAIN, of North Carolina, has been conducting hearings on the same question and will make recommendations to Congress later in this session.

Although this battle is not as imminent as the fight over appropriations, it too may some day be thrashed out in Congress.

What happens will probably be determined in large part by what the parents of schoolchildren want—and whether they let their Senators and Congressmen know they want it. There are a few weeks left in which to write a letter urging the legislators to vote funds for this vital program. Parents who want their children to go on having hot lunches will grab a pen now.

ADDRESS BY THE PRESIDENT TO THE AMERICAN SOCIETY OF NEWSPAPER EDITORS AND THE INTERNATIONAL PRESS INSTITUTE

Mr. COOPER. Mr. President, I ask unanimous consent to have printed in the body of the Record the text of the address on reorganization of the Defense Department, delivered today by President Eisenhower to the American Society of Newspaper Editors and the International Press Institute.

There being no objection, the address was ordered to be printed in the Record, as follows:

TEXT OF THE ADDRESS BY THE PRESIDENT, DELIVERED AT THE LUNCHEON MEETING OF THE AMERICAN SOCIETY OF NEWSPAPER EDITORS AND THE INTERNATIONAL PRESS INSTITUTE, HELD AT THE STATLER HOTEL, WASHINGTON, D. C., APRIL 17, 1958

Mr. Chairman, fellow Americans, first, my warm greetings to the distinguished visitors here from other lands. My subject today is more national than international. Yet, there are international overtones in all that I shall say. American strength, of which I shall speak, is inseparable from the waging of peace.

Five years have passed since last I met with your society. I discussed then what is still the world's paramount need—an enduring, just peace.

In early 1953, you recall, the world was deeply troubled. Two wars were in progress.

One had cost the lives of thousands of our own youth. It promised to go on indefinitely. The other menaced all southeast Asia. There was daily possibility of more trouble—in the Formosa area, the Middle East, Western Europe—even in the Western Hemisphere.

Many of the goals I then presented to your society are now achieved:

In Korea and Vietnam, the wars are ended.

In Formosa—Guatemala—Iran—the Communist threats are blocked.

In Trieste, the age-old struggle is resolved. Austria is liberated, the Red Army withdrawn.

Germany—at least West Germany—once again is sovereign and today reinforces European unity.

"Atoms for Peace," so meaningful to mankind, at last is under way.

The stature of the United Nations is appreciably raised; free-world nations are united in collective defense.

And slowly, but significantly, the Iron Curtain has started to lift. Behind it the personal security and intellectual freedom of oppressed peoples gradually increase—another development not without promise.

Such gains are with us. Yet the problems remaining are many and grave.

Communist imperialism persists in striving to master the world.

Germany remains divided. Eastern European nations remain enslaved.

Turmoil and bitterness plague north Indonesia, the Middle East, and parts of north Africa.

France, our historic ally, has major difficulties.

New weapons of fantastic power appall the world. Humanity now threatens its own existence.

Dependable disarmament remains but a hope—a hope we still ardently cherish and will continue striving to realize.

So today we find, despite our progress, that peace, national safety—survival itself—demand of America the utmost strength in its every aspect—spiritual, intellectual, and scientific, as well as economic and military.

This brings me to my main topic—our military strength—more specifically, how to stay strong against threat from outside, without undermining the economic health that supports our security.

It is hard to grasp the enormity of our own military expenditures. In only 5 years, they are almost \$200 billion. This colossal expenditure has cost us far more than dollars alone. In a less threatening world, how much it could have meant to us. In private or public spending, this \$200 billion could have bought: of highways, the entire nationwide Interstate System; of hydroelectric power, every worthwhile project in America; of hospitals, our needs for 10 years to come; of schools, our next decade's requirements, including catching up on present shortages.

And even had we additionally allocated \$10 billion a year for security, some \$50 billion would still have been left to reduce the national debt.

Clear it is that this armaments race—so terrible, so utterly wasteful—has imposed tragic penalties upon America and all mankind.

All of us deplore this vast military spending. Yet, in the face of the Soviet attitude, we realize its necessity. Whatever the cost, we must keep America secure.

But in the process we must not, by our own hand, destroy America. This we could do by useless overspending. Thus we would undermine the economic strength on which our freedom and military power depend. I know one sure way to overspend. That is by overindulging sentimental attachments to outmoded military machines and concepts.

Paraphrasing an American patriot, our motto must be: "Billions for defense; not one cent for heedless waste."

Such considerations I have placed before Congress in a message on defense reorganization. The purpose is clear. It is safety with solvency. The country is entitled to both.

Now let's examine our defenses. There is a simple starting point. It is this:

The waging of war by separate ground, sea, and air forces is gone forever.

This lesson we learned in World War II. I lived that lesson in Europe. Others lived it in the Pacific. Millions of American veterans learned it well.

If in organizing our defenses we ignore that lesson, we shall do so at deadly peril.

To prevent war—or, in the tragedy of war, to win it—is the whole purpose of our huge Defense Establishment. Its success requires one single basic scheme, under single direction. That scheme is our strategic plan. The single direction is provided by our highest military chiefs, acting in unity under civilian control.

Unity, then—unity in strategic planning, unity in military command, unity of our fighting forces in combat commands—these we must achieve.

Now, applying this yardstick of unity, we at once identify needed defense changes.

Their essence can be stated in a nutshell. Unified strategic plans, carried out in peace or war under unified direction, presuppose that the directing head, the Secretary of Defense—Joint Chiefs of Staff mechanism, has sufficient authority over supporting activities to assure execution of the basic plans. This, I submit, is the sum total of unification. In critical respects, it is lacking in our defenses today. Certain revisions of the present system are urgently needed.

First, we must unify and strengthen the professional staff assistance available to the top strategic planners, the Joint Chiefs of Staff. In some respects this can be done administratively. Such improvements I have already directed. Other improvements require changes in law. These I have asked of Congress. The Congress willing, our military leaders will have the professional help, in the necessary strength, required for efficient unified planning and direction of our fighting forces.

Second, we must clear the lines of military command. Today they meander through subordinate elements of the Defense Department before they reach the fighting forces. Within the limits of law, I have already directed the administrative changes this improvement requires. Additionally, I have asked the Congress to remove various statutory barriers. The Congress willing, we will free the flow of military commands from unified authority to the man with the gun.

A third change is most important. It is to integrate the power of the fighting units in the several strategic areas. The forces in each of these areas must be fully unified into one command. We must place each command under the full control of one commanding officer, no matter what his service. Again I have asked Congressional cooperation. The Congress willing, we will, in the pattern of the Navy's mighty task forces of World War II, forge singly-led fighting units of unified, concentrated power. Thus we shall face up to the requirements of modern war. It is—I repeat—power that is concentrated, not diffused. It is warfare by unified forces, not separate units. The truth is that the services acting together, rather than singly, generate power that is not the sum but a multiplication of their separate capabilities.

Our fourth need is no less urgent. We must do a more efficient job of integrating new weapons into our fighting forces.

Again, we need unity of direction.

The onrush of science has changed this problem at its very roots. Take, for example, a reconnaissance satellite, orbiting

in space. If successful, it would transmit military information of value to all the Armed Forces. The utility and purpose of such an instrument could hardly be prerogatives of any single military service. Nor is it rational for the services to wage bitter struggles and multiply expensive research facilities in a race to control such a development.

The ballistic missile is another example. This weapon can be fired at targets hundreds of miles away. Its principal function rises above one-service considerations. It matters not at all to the American people whether such a missile is fired from land or from a submarine. Nor is the public overly concerned whether a piloted bomber takes off from land or from an aircraft carrier to hit the very same target. The point is to be able to get the job done, at the least cost.

In short, it is high time for all of us to pay more attention to America's strategic requirements and less to individual service claims.

The fact is, modern weapons have scrambled traditional service functions. Inter-service controversy and confusion are the result. This simply means that our military weapons and techniques and certain provisions of law just do not mesh.

I am quite sure that the American people feel it is far more important to be able to hit the target than it is to haggle over who makes a weapon or who pulls a trigger.

I have asked the Congress to accept and apply these facts of modern military life. The Congress willing, we shall bring to bear, in each unified command, all the power each military service can usefully provide to support the mission of the command.

The next change affects the authority of the Secretary of Defense.

That authority must be clearly defined. The law envelops it in a legal fog. Mainly this is the result of clinging to traditions and concepts of a military era that is no more.

As I have said, modern war demands the vesting of strategic planning and the control of military operations clearly in the Secretary of Defense-Joint Chiefs of Staff mechanism, under the overall direction of the Commander in Chief. It is impossible longer to diffuse this function among three competing services.

For this central directing mechanism to perform its function properly, it must assure the fighting forces of adequate supply and support. This requires central coordination of a multitude of military activities. Examples are transportation, maintenance, procurement, and material design. The authority of the Secretary of Defense must be sufficient to direct this support by all.

For this purpose there is no need to consolidate the traditional services. Nor do we need to create entirely new administrative units in the Defense Department. But there must be no doubt that central authority can direct the needed coordination and take steps to eliminate any wasteful duplication.

The appropriation process must facilitate, not hinder, this essential coordination. Today the Secretary of Defense is too severely restrained by this appropriation process to permit maximum efficiency. Moreover, strategic requirements change constantly—oftentimes, swiftly and critically. This constant change, as well as continually discovered new opportunities to improve efficiency, are compelling reasons for giving the Secretary a reasonable flexibility in the use of funds.

Thirty-seven billion two hundred and fifty million dollars have been appropriated for military functions this fiscal year. Less than 2 percent of it was appropriated to the Secretary of Defense—this to run his office and meet certain interservice costs. Of the remaining 98 percent, only \$150 million was specifically subject to transfer between appropriations by the Secretary. And that au-

thority was limited to research and development.

I have proposed that the Secretary be granted additional flexibility beyond that now available by reprogramming within appropriation totals. The Congress should adopt one of the several applicable methods of doing this. Of course there should be appropriate reports to the affected committees of Congress on the use made of this authority.

Flexibility does not mean license. Nor does it mean handing \$40 billion to the Secretary of Defense to use according to his personal decision. It does not mean depriving Congress of the power of the purse.

What flexibility does mean is Congressional action that will make annual appropriations efficiently adaptable to changing conditions, in the Department and throughout the world, every day of every year.

In another area—defense research and development programs—the need for central direction is especially acute.

This area, more than any other, invites costly rivalries. The programs are critically important. They involve the weapons of tomorrow. In these programs we cannot afford the slightest waste motion. Nor can we afford to devote three sets of scientists and laboratories and costly facilities to overlapping weapons systems and research projects.

Recently we have been spending something more than \$5 billion a year for research and development programs dispersed among the several services. This great sum is used to maintain our new weapons potential but does not procure one single weapon or piece of equipment for the operating forces. Eminent scientists report that centralization of direction over this program will surely cut costs markedly and improve efficiency.

I have recommended that the supervision of this entire activity—and, to the extent deemed necessary, its direction—be centralized in the Defense Department under a top civilian who will be a national leader in science and technology—the actual work being done largely by the military departments as is the case today. The Congress willing, we will substantially increase the efficiency of this multibillion dollar research and development effort, reduce its cost, and strike at one of the roots of service rivalries.

Finally, I have called attention to the need for review by the Secretary of Defense and the Joint Chiefs of Staff of our top service promotions and assignments. Top admirals and generals for unified commands must be fitted temperamentally and by conviction for responsibilities that transcend their individual services. To reward parochialism with promotion is to invite disunity. In the same vein, I have directed the Secretary of Defense to take a firmer grasp over service publicity campaigns and Congressional activities. This also should reduce invitation to disunity.

In the bill just sent to Congress, I requested correction of all of those weaknesses of a statutory nature which relate to the authority of the Secretary of Defense.

Now, looking back over all the years since 1911 when I entered military service, I find it hardly surprising that a defense revision agitates partisans and traditionalists. Never has it been otherwise, whether we have gone from battleships to carriers in the Navy, from piston engines to jets in the Air Force, or from cavalry to armor in the Army—and, in all services, from TNT to nuclear weapons. We can expect the same kind of resistance to the new modernization proposals. But in the present situation it is more than gratifying to have the assurance that the convictions of senior civil and military leaders in the Defense Department closely parallel my own. They have cooperated loyally in designing the details of the proposed reorganization. Much of the criticism we will likely

hear, therefore, will probably be loudest and most bitter not from responsible service leaders but rather from outside sources. These sources often resist military change far more vigorously than the services themselves.

But from some quarters it will be said, for example, that the changes I have discussed will merge our traditional forces into a single armed service.

That is not so.

The identity of each service will remain intact. Its training, its pride, its traditions and its morale, all important to itself and to the country, will still be the responsibility of its own service and civil leaders.

It will also be said that a monstrous general staff—usually called "Prussian"—will be set up to dominate our Armed Forces and in due course will threaten our liberty.

That is nonsense.

The group of planners and advisers and analysts that will serve under the Joint Chiefs of Staff cannot logically be compared to the great general staff of Germany in 1914. The Joint Chiefs of Staff will remain the top military advisers under the clear-cut civilian control of the Secretary of Defense, the Commander in Chief, and the Congress, all functioning within bounds set by the Constitution.

It will likely be said, in the same breath, despite the obvious contradiction, that not a professional military staff but the Secretary of Defense will be made a czar who will overwhelm our liberty.

This, too, is not so.

We shall have neither military nor civilian czars. The Secretary will stay directly under the President and the Congress. He will remain subject to a tremendous body of detailed law. In military affairs he will be advised and assisted by the Joint Chiefs of Staff. By no stretch of the imagination can he become an arbitrary administrator working his will independently of the President, the Congress, and our fundamental charter of government.

It will likely be said, in addition, that these proposals will violate the responsibilities of Congress, especially its power over the purse.

As I have said, that is equally farfetched.

The Congress will keep, in every respect, its full constitutional authority over the appropriation of funds. But greater flexibility in defense spending will result in greater efficiency, more responsiveness to changing military requirements, and more economical management of major defense programs.

Apprehensions such as these are at the least misconceptions. At the most they are misrepresentations. I repeat: there will be no single Chief of Staff, no Prussian staff, no czar, no \$40 billion blank check, no swallowing up of the traditional services, no undermining of the constitutional powers of Congress.

But this there will be, if the program which I so earnestly support and believe in is adopted by the Congress:

There will be a stop to unworthy and sometimes costly bickering.

There will be clear-cut civilian responsibility, unified strategic planning and direction, and completely unified combat commands.

There will be a stop to inefficiencies and needless duplications encouraged by present law.

Thus we will meet our dual needs—safety and solvency. The Congress willing, we shall have maximum strength, with minimum cost, in our national defense.

Now, one final thought:

Today I have been speaking mainly about military problems. Overseas we can count on the Soviets to twist these statements into accusations that we are making threats and are obsessed with warmaking techniques. But all the world knows, as we do, that

neither war nor the technique of war has ever been America's primary concern.

The powerful Armed Forces of the United States are no more than supports for a much larger purpose. That purpose is peace and the advancement of human well-being at home and throughout the world. Freer trade and cooperative assistance among the free nations are indispensable aids in bringing this about.

This I believe very deeply: If we will but hold fast in our struggle for lasting peace, we shall, in coming years, find full justification for confidence that war will not occur and that this wearisome and dangerous armaments burden will be lifted from the shoulders of a grateful humanity.

I believe further that in this struggle the strength that endures rests with those who live in freedom. Tyranny is too brittle—too insecurely based—too dependent upon force and brutality—too contrary to the hopes and ideals of humanity—to last over the long pull. The day will surely come when this undeniable truth will drawn upon even the rulers of the Soviet Union, as already it is dawning upon their peoples. Then, we shall see at last the true worth of all our effort, all our sacrifice, all our prayers.

Mr. COOPER. Mr. President, today, when addressing the American Society of Newspaper Editors, the President made a fighting speech, unanswerable in its logic, in support of his recommendations for reorganization of the Department of Defense.

The views of the President on reorganization of the Department of Defense are consistent with his statements and recommendations over a long period of years. Those who take the trouble to read his testimony before the Committee of Congress when the National Security Act of 1947 was under consideration, his message on reorganization of the Defense Department delivered to the Congress on April 30, 1953, his 1958 state of the Union speech, and, finally, his recommendations this year to the Congress, will know that the President's views are the result of years of consideration of this problem.

I do not need to say that, as commander of our Armed Forces and, indeed, of the allied armed forces during World War II, the President had an opportunity to know the requirements for successful military operations. His experience in this field has been broadened by his constitutional position as Commander in Chief of the Armed Forces of the United States. Unquestionably his knowledge and experience are unmatched in the United States, and even in the world.

Furthermore, with all due deference, I would say that certainly in this field no Member of the Senate and no Member of the House of Representatives can stand on the same ground with the President of the United States.

His recommendations are not difficult to understand.

First, they provide for a clear chain of military command, from the President to the Secretary of Defense, then through the Joint Chiefs of Staff, to the unified commands which must fight, if required, under modern conditions.

Second, they provide for the unquestioned authority of the Secretary of Defense to administer the Departments of the Army, the Navy, and the Air Force,

by removing the present provision of law that these departments must be separately administered. This provision was in the bill which I introduced February 3.

Third, they would authorize the Secretary of Defense to provide for a unified Department of Research and Development, which in this time of great scientific advancements reaching into space, and new weapons, is absolutely required for the security of the Nation.

The President has demolished the claim that he or the Secretary of Defense is seeking to take away the authority of the Congress to appropriate funds. He makes it clear that only a small percentage of the funds appropriated by the Congress shall be available to the Secretary of Defense for his use in the operations of our Defense Department, to permit flexibility and, in fact, to insure the security of the country.

The President has said truly that the security of the Nation depends on reorganization of the Department of Defense. We talk much about recession and the economic stability of our country. The huge expenditures in the Department of Defense present the greatest possibility of obtaining an effective use and an economical use of over \$40 billion which the people of this country supply from taxes.

The President was right last year when he asked for a defense budget adequate for the security of this country. The Congress was wrong in cutting his requests and in reducing funds needed for research and development. This action played its part in stimulating the present recession.

Mr. MANSFIELD. Mr. President, will the Senator yield at that point?

Mr. COOPER. I yield.

Mr. MANSFIELD. The Senator said the President was right and the Congress was wrong.

Mr. COOPER. I believe that.

Mr. MANSFIELD. I point out the House reduced the figure by about \$2.5 billion. The Senate restored \$900 million. The Secretary of Defense and the administration sent word to the conferees they did not need the \$900 million, and they could get along with the figure allocated by the House.

Mr. COOPER. It was pointed out that the economies which had been effected were in large part bookkeeping economies, and that the reduction would affect future operations of the Defense Department.

Mr. MANSFIELD. What they did, in effect, was to pull the rug from under the Senator from Massachusetts [Mr. SALTONSTALL] and the Senator from Missouri [Mr. SYMINGTON], who were fighting to get the restoration accepted by the House.

Mr. COOPER. That may be so. I joined, in the very beginning, those who were supporting the full request which had been made.

Mr. MANSFIELD. The Senator is right. Mr. President, I ask unanimous consent to insert at this point in the RECORD a letter from former Secretary of Defense Charles E. Wilson to the Senator from New Mexico [Mr. CHAVEZ], and

Representative GEORGE MAHON, dated July 17, 1957.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF DEFENSE,
Washington, July 17, 1957.

HON. DENNIS CHAVEZ,
Chairman, Department of Defense
Subcommittee on Appropriations,
United States Senate.

DEAR MR. CHAIRMAN: There is enclosed, for your information, a copy of a letter I have just sent to the chairman of the Department of Defense Subcommittee of the House Committee on Appropriations, in response to his request for the Department of Defense requirements for new obligatory authority for fiscal year 1958, in light of the House and Senate action on the appropriations bill and expenditure ceiling limitations for fiscal year 1958.

Sincerely,

C. E. WILSON.

THE SECRETARY OF DEFENSE,
Washington, July 17, 1957.

HON. GEORGE MAHON,
Chairman, Department of Defense
Subcommittee, Committee on Ap-
propriations, House of Representa-
tives.

DEAR MR. CHAIRMAN: Reference is made to the recent request of your committee to provide an analysis of the Department of Defense requirements for new obligatory authority for fiscal year 1958 in light of the House and Senate action on the appropriation bill and the reported expenditure ceiling limitation of \$38 billion for that year.

The budget request presented to your committee and the subsequent request for restoration made to the Senate were based upon approved programs related to the military strength figure of 2,800,000.

During my appearance before your committee on July 1, I indicated that some adjustment in military plans would probably be necessary to keep expenditures in the neighborhood of \$38 billion. To maintain a balanced military program, the President yesterday approved a reduction, substantially to be achieved by January 1, 1958, in the number of military personnel, including a proportionate number of officers, from previously authorized levels as follows:

	Reductions			Revised authorized strength
	Total	Enlisted	Officer	
Army.....	50,000	44,470	5,530	950,000
Navy.....	15,000	13,365	1,635	620,000
Marine Corps.....	10,000	9,100	900	150,000
Air Force.....	25,000	21,200	3,800	900,000
Total.....	100,000	88,135	11,865	2,700,000

Because of the administrative problems involved in separation of officers, some of this officer reduction is expected to take place in the latter half of the fiscal year.

In addition, it is planned to effect a further reduction of 8,135 officers during the latter part of the fiscal year, with the total officer reduction amounting to 20,000. This second increment in the officer-reduction program, however, will be undertaken in connection with a final review of headquarters and supporting activities and a review of the entire personnel program made in the fall in relation to the determination of the fiscal year 1959 budget.

The House action on the portion of the Department of Defense appropriation request included in H. R. 7665 provided for appropriation of \$33,562,725,000. The Department of Defense initially requested restoration totaling \$1,220,171,000. Subse-

quently, this request for restoration was modified by requesting the addition of \$13.8 million for the "Army National Guard" appropriation to permit an end strength of 400,000, provided this amount was within the total requested for restoration by the Department of the Army in its several appropriations. Senate action increased specific appropriation accounts by \$1,058,504,000 over the House amount, and at the same time made reductions in other appropriation accounts of \$87 million, making a net total increase of \$971,504,000 over the House amount.

In the light of the military personnel plans approved yesterday by the President, no amounts need be provided for military personnel in excess of the amounts provided by the House. In addition, certain reductions may now be made in the "Operation and maintenance" accounts as restored by the Senate. After taking into account the adjustment in fund requirements resulting from the reduction in the number of military personnel, the balance of the funds in the maintenance and operation accounts are needed and can be utilized properly, without the earmarking of any specific sum in the appropriation "Operation and maintenance, Army," for the support of the Army National Guard and the Army Reserves.

Restorations totaling \$30 million were made by the Senate in the "Research and development" appropriations. We believe that these funds are needed and can be used effectively during fiscal year 1958 for research and development.

The amounts restored by the Senate to the Navy and Air Force procurement appropriations are needed and can be utilized to good effect by the Department of Defense to assure that the procurement programs are fully funded on the basis of realistic production lead times and realistic reorder times. A similar justification exists for the restoration of the \$87 million reductions made by the Senate in the Army "Procurement and production" and the Marine Corps "Procurement" appropriations.

The Senate made an increase of \$20 million in the appropriation "Reserve personnel, Army"; an increase of \$40 million in the appropriation, "Army National Guard"; and earmarked \$40 million of the restoration in the "Operation and maintenance" appropriation for support of increased strength for the Army National Guard and Organized Reserves. As outlined in a letter of June 24, 1957, to the chairman of the Senate Subcommittee on Appropriations, present plans contemplate utilization of only \$13.8 million in excess of the amount approved by the House for the appropriation "Army National Guard," if such an amount were provided by the Congress.

The adjustments outlined above are indicated in detail on the attached statement.

Sincerely,

C. E. WILSON.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield at that point?

Mr. COOPER. In a moment. If the defense demands were cut, one of the reasons for it was that it became evident from the very beginning of the Congress that many leaders in the Congress—and I may say leaders on the majority side—made it clear they were going to cut the defense budget. In doing so, they cut funds for research and development which affected the security of the country.

Mr. MANSFIELD. If the Senator will yield, every single dime requested for research and development was granted, in the amount of \$1,651,000,000.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. JOHNSON of Texas. I am amazed that my distinguished friend should have been led down such an unknown path. The majority leader not only did not demand any reduction in the Defense Department bill; the majority leader has worked to increase every Defense Department bill that has come before the Senate since he has been leader. If the Defense Department had pursued the consistent policy of the distinguished Senator from Kentucky and stood by its own recommendation, the Senate would have been in a far stronger position. But the Senator's own distinguished chairman of the Armed Services Committee, the senior Senator from Massachusetts [Mr. SALTONSTALL], went into a conference, and just before the conference was held there was delivered to him a letter from the then Secretary of Defense, Mr. Wilson, which received wide publicity, in effect stating the Defense Department could get by with the House bill. What could the Senator from Massachusetts and the Senator from Missouri do when the Department would not stand by its own recommendation?

I am surprised, shocked, and amazed that the Senator should stand up and try to defend that kind of action and try to put partisan blame on the majority, because the Senator knows that in every session of Congress under Democratic control we have increased defense bills which have come before the Congress. We usually did so over the protests of the ex-Secretary of Defense, Mr. Wilson.

Mr. COOPER. I am surprised at this outcry. I said the President was right last year when he asked for a defense budget that was adequate for the security of the country. My next sentence was that the Congress was wrong in cutting his requests and reducing funds needed for research and development.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. COOPER. In a moment. I had not said the distinguished majority leader, or the whip, or the leader on the Democratic side in the House had done it. I said Congress had. I was interested in seeing that immediately a great uproar came from the majority side. The pig was stuck.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. MANSFIELD. The Senator from Kentucky, whom I love and admire, seems to entertain some views which are not correct. Every single dime the administration and the Executive said was necessary in the field of research and development was granted. That amounted to \$1,651,000,000. They asked for that amount; that is what Congress gave them. I think if the Senator will check the record he will find that is a true statement.

Mr. COOPER. I may say also that I cast no aspersions on the distinguished majority leader.

Mr. DOUGLAS. Mr. President, will the Senator allow me to permit a cooling off subject to be put into the RECORD at this point, which I think is on the point of international disputes, and I think also on the point of internal disputes? Will the Senator yield for that purpose?

Mr. COOPER. I shall be through in a few moments, if the Senator will permit me to continue.

I was discussing the speech of the President today in support of his defense reorganization recommendation. I made the point that I thought the President right last year in his recommendations for the defense budget. I think he is right now. I hope the Congress will see the error of its ways, as reflected in its attitude on the defense budget, and will now support the President in reorganization of the Defense Department. I shall proceed with my statement.

The President is right in his recommendations for reorganization of the Defense Department. The Congress should, and I believe will, support him. The people will support him because they are not interested in the claims and rivalries of the separate Departments of the Army, Navy, and Air Force. They, like the President, demand the security of this country and an economical use of the funds they provide.

Finally, the President made the ultimate argument that the question of peace is inherent in his proposals. A strong and effective defense is one of the means of deterring war, and thus maintaining peace.

I hope the Congress will support the President. I believe the President has been right, and consistently right, throughout the years. He knows much more about the subject than most of us in the Congress do. I think even the majority whip and the majority leader will give the President every support on this issue, which could be the most important issue, for the security of the country and for our economic stability, that Congress could consider at this time.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. COOPER. Yes; I yield.

Mr. JOHNSON of Texas. I know the Senator is aware of the hearings of the Preparedness Subcommittee of the Armed Services Committee, which we conducted over a 3-month period, and the defense recommendations that the committee made to the President and to the Defense Department, in which the committee urged the President to take some action in the field of reorganizing that Department and bringing about a unification of it and improving its efficiency and effecting certain economies which we thought should be effected. The committee asked the Secretary of Defense to assist in proposing a plan. The Secretary committed himself to the committee that he would submit such a plan sometime during March. The Secretary is sincere and diligent, and is a very able public servant.

He has submitted his recommendations to the President. The President,

in turn, has transmitted them to the Congress.

I can assure the Senator that I not only favor a complete reorganization and unification of the Defense Department, but I favor early consideration by the Congress of the recommendations which the President has made. I deplore the fact that the recommendation has been some 5 years in coming.

I think one of the greatest savings which can be made in the expenditure of public funds is in the unification of that Department. I agree with the Senator that the President of the United States has a wealth of experience to draw upon in connection with that Department.

If I am not mistaken, the present organization of the Department was a plan of the President of the United States. I am of the opinion that mistakes were made in that organization. I am of the opinion that the President has suggested some improvements. I am not in a position to close my eyes and embrace every suggestion of the President's plan without a scintilla of evidence and without a word of testimony, merely because he happens to be a distinguished and very able military officer of great experience. But I am going to urge that every possible sympathetic consideration be given to the program and that prompt action be taken, because I think it is a considerable improvement on the plan which was put into effect in earlier years upon the recommendation of the President.

Mr. COOPER. I do not want to prolong the discussion, but I raise a question about the present system being the result of a recommendation by the President. I went back and read the testimony. At that time the President was on the Joint Chiefs of Staff. If the Senator will read that testimony he will find it follows pretty much along the line of the President's present recommendation.

As I understood the first plan, it was presented as a plan by the then President of the United States. It was presented to the services. It was accepted by them and, in the same form, was sent to the Congress of the United States. That was the beginning. There has been a period of experience over the years. No one can say it was not a reasonable plan at the time.

Mr. JOHNSON of Texas. The Senator does not question my statement, does he?

Mr. COOPER. We have new and modern conditions. The recommendation of the President, as I see it from my limited military experience, which is simply the kind most of us had, is addressed to the needs of the present. I am not surprised to hear from the majority.

Mr. JOHNSON of Texas. The Senator is familiar with our recommendation at the time, is he not?

Mr. COOPER. What was that?

Mr. MANSFIELD. Reorganization Plan No. 6.

Mr. JOHNSON of Texas. That the Department be reorganized. It was 1 of the 17 points, I will say to the Senator.

Mr. COOPER. I recognize that.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. COOPER. I yield.

Mr. MANSFIELD. Even though the distinguished President of the United States is a former general of the armies, there is nothing to stop a couple of privates from Kentucky and Montana from discussing the proposal.

Mr. COOPER. That is true.

Mr. MANSFIELD. We may not be so skilled in military matters, but we may have a little more of the common touch.

Mr. COOPER. I may say to the Senator, I was also a private.

Mr. MANSFIELD. Both of us were. We thought we hit it pretty high when we became Pfc's.

In yesterday's RECORD, at page 6587, there is a long speech by the distinguished chairman of the House Committee on Armed Services, Mr. VINSON, from which I wish to read. Mr. VINSON says, speaking of the President's message:

In his message proposing Reorganization Plan No. 6 of 1953, which established the command channel which the President would now change, the President at that time stated:

"The channel of responsibility and authority to a unified command will unmistakably be from the President to the Secretary of Defense to the designated civilian secretary of a military department. This arrangement"—

The President then told Congress—"will fix responsibility along a definite channel of accountable civilian officials as intended by the National Security Act."

If that arrangement of 1953 fixed civilian responsibility along a definite channel of civilian command, then the removal of civilians from that channel must obviously lead to the aggrandizement of military control at the expense of civilian control.

Mr. COOPER. I do not agree with that. All the new procedure would do would be to remove from the direct chain of command one civilian Secretary of the Army, Navy, or Air Force. The channel still would be from the President to the Secretary of Defense. But the point is that the President is not closing his mind or his eyes to new developments. The President is making recommendations which he believes, and I myself believe, meet the new developments in science and technology which demand the kind of action he proposes.

Mr. MANSFIELD. I may say to the Senator that the President has no stauncher supporter than the distinguished Senator from Kentucky. I hope, on the basis of what he recently said, the President's mind is not rigid on the proposal he has made, and that there is a chance to bring about a reasonable compromise which will reduce the number of Assistant Secretaries and assistants to the Assistant Secretaries, which will reduce the number of committees and commissions, and which will also get rid of some of the overwhelming civilian bureaucracy in the office of the Secretary of Defense itself. I understand that in the office of the Secretary there are some 2,400 persons, although the former Secretary of Defense, Mr. Forrestal, at the beginning, when the unification act was considered 10 years ago, said that a total of 100 would be a sufficient number.

I hope the President will do something to eliminate the 16 or 17 civilians through whom the Chief of Staff of the Army, Gen. Maxwell Taylor, has to go before he can get to the Secretary of Defense. There is much work to be done in the Pentagon, and I hope that is not lost sight of.

Mr. COOPER. The President proposes that in his message. I am aware that the distinguished Senator from Montana has made that clear in the bill he has introduced.

Let me say, while we are talking about the elimination of personnel in the Department of Defense, that does not go to the issue, really. The real issue is whether we are to have unity of command and a unified civilian administration. I think the President's proposal meets those issues.

THE RECESSION AND ITS ANSWER

Mr. WILEY. Mr. President, I have listened with profound interest to the discussion, and I am reminded of the fact that all of us have a tendency to excuse ourselves from our responsibility. The time for buck-passing or for blaming the other fellow is past. We have not time for that.

This morning I attended an executive session of a subcommittee of the Committee on Foreign Relations, and at that particular meeting we heard the testimony of Dr. Hans Bethe, a nuclear physicist from Cornell, the head of one of the great committees considering vital questions relating to the peace and security of the United States. We forget that before sputnik this country had grown pretty complacent because of statements on the floor of the Senate and on the floor of the House to the effect that we had everything, we were sitting pretty and were secure. I remember the same kind of talk before Pearl Harbor.

Here on the floor we talk about the recession and blame the other fellow for it. We of the Congress, of course admit no responsibility. We did nothing; we just let it come. Now we are blaming others.

I should like at some time in the near future to discuss the recession, who is to blame for it, and what caused it—but, more than that, to give a diagnosis of the situation. For instance, I received a letter 3 or 4 days ago from a businessman who said, "I have had to close my factory. I produce Product X. I have let out so many men. Why does not Congress do something about it?"

I shall not mention the product; I wrote to this man and asked him, "What would you have us do?" He replied that he had no answer. Then I wrote to him and asked, "Why can you not sell your product?"

He replied, "I am in the same position as the automobile manufacturers. I oversold. Orders are not coming in. I have filled my customers' stores."

Who is to blame for that? If we were to hold a consultation and make a diagnosis as to who is out of employment we would find that the automobile situation is responsible for a large percentage of unemployment. The automobile in-

dustry takes 35 percent of the steel production. When the automobile industry is shut down, it does not buy steel. That closes down a portion of the steel industry. I am giving this as an illustration, because I am interested now in getting at the remedy—not passing the buck.

I remember that in the days when I was a boy, medicine men came around shaking this bottle and that bottle, and saying, "This is the remedy." They would "buffalo" the people. They would scare them and make them fearful and then sell the fake medicine. There are too many medicine men around Washington scaring people, and telling them that they have the remedy for our ills.

If the people start buying automobiles, that will put workers back into the auto factories, and then the steel business will pick up, for orders will come in from the auto factories.

But who is to blame for the 5,300,000 unemployed? The effort has been made to sell a bill of goods to the effect that the President is to blame. Of course, we in the Congress would not accept any responsibility. Yet I remember how cocky we were last year before Sputnik arrived and how the pressures for cutting taxes were built up.

So who is to blame? I think the answer is that everyone is to blame. But it does no good to waste our time talking about who is to blame. When a man is sick he goes to a clinic for a diagnosis of his physical condition. A competent doctor, familiar with his condition, tells him what the remedy is. We are not doing that. We are talking about spending money en masse, throwing lumps of it around. We are even talking about increasing the wages of those who already receive high wages.

We should look at the patient. When a person is ill, the diagnostician comes in and examines the patient and notes the symptoms. But it is the patient who is examined, and not the man who is well. We should look into the situation of the 5¼ million who are unemployed, and not the situation of the 63 million who are employed.

We must make an analysis. We must determine which industries are most affected by unemployment. Each of us has a responsibility. We must stop scaring people who have money to spend. There never was so much money in the country. What we are doing is drying up spending by engendering fear. We are generating fear on the floor of the Senate.

The communications which I receive clearly indicate that some people are fooled and some are not by the talk here. In many towns in Wisconsin the citizens are doing a grand job. They are holding clinics. They are finding out what needs to be done in the community. People who are out of employment at the factories are given temporary jobs doing work which should be done—even street work, and tearing down old houses, as well as making various repairs. In many communities no one is unemployed.

Next we come to the question of the remedy. There is no question that to a considerable extent the remedy lies in community self-help. Instead of that

here we are innoculating the people with the thought that we are magicians, and that we can spend billions without first getting a diagnosis.

Whose money are we spending? Not ours, but the taxpayers'.

When I came to Washington I had a little money in Government bonds, which were then valued in terms of a 100-cent dollar. The dollar is now worth 50 cents. We must be careful not to reduce the value of the dollar to 25 cents by injudicious and uneconomic methods—"stealing from Peter to pay Paul."

The people who save in this country are the people who made the country. What are the dollars of the 110 million insurance-policy holders worth? What are we doing to them? Are we, by raising the salaries of those who are employed and spending money where it is not needed, solving the problem? The answer must be definitely "No." Inflation is no answer to unemployment.

Mr. President, as we in the Congress attempt to carry out the Federal responsibility to enact appropriate antirecession measures, I am happy to see that the spirit of free enterprise in Wisconsin is also rising to the challenge.

Today in Milwaukee and Appleton, respectively, the Milwaukee County Automobile Dealers Association and the northeastern Wisconsin automobile dealers are undertaking a new sales campaign under the banner You Auto Buy Now.

This effort in Milwaukee to initiate a dynamic program to increase auto sales is, indeed, a reflection of one of the kinds of grassroots action needed to overcome the current business slump.

As another outstanding example, a chain of independently operated Milwaukee supermarkets is launching an aggressive campaign to stimulate public consumption of more and better foods.

This is the solution at the local level. Commendably, this is not a slogan drive; instead, these markets indicate they are willing to back up their efforts to stimulate buying by giving the public more for their money. To accomplish this, they intend to absorb a number of retail price costs and pass some along to the consumers.

I am hopeful that these fine examples of the initiative of private enterprise will be contagious. We do not help to make them contagious by telling the people that they must look to Washington for a solution of the ills which are local in many respects.

As I say, I am hopeful that these fine examples of the initiative of private enterprise will be contagious. As a matter of fact, there are signs that, because of these and other factors, business is beginning to pick up in a number of industries.

Recently the Milwaukee Journal carried an editorial entitled "Plunge for Prosperity," giving further illustrations of efforts by private business.

I request unanimous consent to have printed at this point in the Record, this editorial, a portion of a letter from the food stores to President Eisenhower on their efforts to stimulate buying, and

my letter of greetings to tonight's meeting of the Milwaukee auto dealers.

There being no objection, the material was ordered to be printed in the Record, as follows:

PLUNGE FOR PROSPERITY

"Amidst the welter of gloomy statistics on production and employment last week came welcome signs of a spring pickup in a few key lines." So reported the Associated Press in its weekend roundup of business and finance.

For instance, there was an increase in builders' applications for FHA mortgage loans. American Motors said it was upping production 10 percent. There was a rise in the sales of safes and bank vaults. Nylon sales were up 10 percent. Purchasing Magazine reported most inventories in line with production. Dodge division of Chrysler told of tripled sales of air-conditioned cars (though total United States weekly auto production was 109,722 units compared to 160,369 the year before).

"Buy," said President Eisenhower. This was echoed by Madison Avenue, which called the recession fear of consumers "more contagious than Asian flu." Among the hopeful signs, according to the AP: "Five women were hurt when the crowd of bargain hunters pushed in a plate-glass window" in Pittsburgh.

Of course, all was not rosy. Such pesky items as freight-car loadings, and production of steel, soft coal, crude oil, paper and electric power were considerably down from a year ago and business failures were up from 231 to 352 for the week.

Nevertheless, American business was in there plugging with everything from plain hard selling to razzle-dazzle hoopla such as the manufacturer of women's electric shavers who launched a "Legorama" to find the girl with the prettiest legs.

To end with a positive accent—and a happy note, indeed—we beg to report that one backyard swimming-pool manufacturer reported sales up 150 percent from 1957.

So, altogether now, let's plunge for prosperity.

THE PRESIDENT,
The White House,
Washington, D. C.

SIR: We are an independently operated Milwaukee chain of five Milwaukee supermarkets, and we are impressed with the views expressed by yourself and others in official Washington as to the possible cures for this first-quarter slump or recession.

We were particularly enthused with the suggestion that private enterprise do more and better selling and advertising to get the public in a buying mood when it thought it had a bargain, instead of worrying about what was going to happen in the future.

Since food takes a healthy share of the wage-earner's dollar, we have decided to go on a campaign somewhat along the lines of the recent Cleveland auto dealers' program, to stimulate spending more and eating better foods. We intend to absorb a number of retail price cuts and pass them along to the Milwaukee consumer in a series of large ads in this area. Our theme will be You Can Buy Now.

APRIL 16, 1958.

MR. THEODORE C. LARSON,
Executive Secretary, Milwaukee County
Automobile Dealers Association, Milwaukee, Wis.

DEAR TED: My heartiest congratulations upon the business initiative which you and your Milwaukee County Automobile Dealers Association are showing in licking your own problems, by your campaign "You Auto Buy Now."

There are many reasons given by economists and others as to why business and

automobile sales are not as good as they were last year.

However, there is nothing but praise in the hearts of all Americans for a sales organization which goes to bat to move its products into the consumer's hands.

Your efforts, and those of other automobile dealers associations throughout the country, will undoubtedly give a substantial impetus to auto sales. And if autos begin to move in greater volume, they would help give a lift to steel production and activity in other industries. And this in turn would help to create greater employment.

Congratulations on your initiative in undertaking to sell your product in a dynamic way. The current business slump in the auto and other industries will be solved in the market places of America and of the world, rather than in the Halls of Congress.

Salesmanship, demonstrated service, and a good product at a reasonable price will bring business into the market. When sales jump, business will become dynamic again.

In view of my pleasure at your program, it is a matter of sincere regret that official duties in Washington have made it impossible for me to be with you at the kickoff banquet of your You Auto Buy Now program.

The Senate is considering S. 3497, the Community Facilities Act of 1958. Since this is intended to deal with the construction of community facilities in such a way as to stimulate business activity, you can well understand why my presence at my official post in Washington is essential at this time.

Please give my hearty best wishes for the success of this program to all of my friends present at the banquet. I wish them God-speed in their efforts toward success of this constructive sales program.

Sincerely yours,

ALEXANDER WILEY.

Mr. WILEY. Mr. President, in conclusion, I wish again to say that the big issue is whether we can keep out of a third world war, and I want the people to know that that is the issue. We will find a remedy to cure the recession or economic illness. When I came to Washington in the 1930's, between 7 million and 13 million persons were unemployed, with an employment of 40 million. Now we have an employment of 63 million, and a little more than 5 million unemployed. Still, judging by the way some people talk, the whole boat is sinking. It is not. What is needed is the courage and the optimism of those who built the country—the free enterprisers, in other words, the people who venture.

I remember that when I graduated from law school, I went to a small sawmill town. That sawmill went out of business. The atmosphere was so filled with gloom that one could almost cut it with a knife. People said, "Everything is going down. There is no chance any more."

However, in that small town there were two immigrant Polish boys—Andrewjeski and Petrowski. They could read or write very little English. Their work was repairing shoes. What happened? There was no Washington to turn to. In those days we thought and knew that the pioneer spirit was what had built America. People got together. The bankers put up a little money. They built a shoe factory. Today that small town is better off than ever before, and it does \$25 million worth of business a year.

Why is that? It is because the people of the community did not look far off for

the solution. They looked within themselves. They found the strength to build America in themselves. Two immigrant boys built that business, with the help of all the others. That illustrates where the solution is to be found at the present time, if we do not talk everybody into the idea that the remedy can be found only in Washington. That is where the danger is. The remedy is not here. We can help solve the problem, but mostly by talking America up, not by talking America down.

Mr. President—

The PRESIDENT pro tempore. The Senator from Wisconsin.

COLOMBIAN POLITICAL ACTIONS ARE STEP TOWARD POLITICAL MATURITY

Mr. WILEY. Mr. President, the recently announced truce between the two major political parties in Colombia may well signify that this republic is on its way to establishing a stable and mature philosophy of government.

Thinking men on both sides of the long and bitter battle between conservative and liberal are willing to cool off and try to solve their differences in a peaceful manner.

The selection of a bipartisan candidate for president was one of the first acts by the joint government. The candidate selected, Dr. Alberto Lleras Camargo, is a distinguished citizen of his country. He is well known in the United States where he served Colombia as Ambassador and, later, worked in the Organization of American States.

Several other countries in this hemisphere have recently shown similar signs of progress toward mature political life. Free elections have been, or soon will be held, in many nations where popular selection of government has long been unknown.

I recently delivered an address on the progress of mature political thinking throughout Latin America. I request unanimous consent that the text of this address be printed in the body of the RECORD as a part of my remarks.

There being no objection, the address was ordered to be printed in the RECORD, as follows:

SENATOR WILEY SUGGESTS FIVE-POINT PROGRAM FOR MODERNIZING INTER-AMERICAN POLICY; CALLS LATIN AMERICA "AREA OF WORLD'S GREATEST POTENTIAL"

To talk to advertising leaders about new challenges to United States foreign policy is, I can assure you, a special pleasure.

For advertising by its very nature involves, as you know, expert communicating. And one of the cores of our challenges on the world scene is how best to communicate.

To communicate to our own people about the technical and other challenges of the Space Age.

To communicate to the Kremlin about increased East-West exchanges and, most important, about avoiding world war III.

To communicate to friendly, allied, and neutralist peoples about America's peaceful intentions.

However, before we get into a detailed discussion of the challenges of foreign policy, let us discuss for a few moments the meaning of foreign policy.

What is foreign policy? What are the goals and objectives of our foreign policy?

How is our foreign policy working with regard to one particular area of the world which is much in the news—Latin America?

DEFINITION OF FOREIGN POLICY

A simple definition of foreign policy is very difficult. It might best be defined as the total effort of a government to influence the attitudes and behavior of other governments and peoples. This effort proceeds through diplomatic, psychological, economic, and military channels.

GOALS OF FOREIGN POLICY

Someone has said that our overall goal in foreign policy is that of preserving peace throughout the world, helping to increase prosperity for America and the rest of mankind.

Our broad goal is to try to foster an international climate in which each nation can work out its own destiny, peacefully, in its own way. In all frankness, we hope that way will be similar to our American concepts of freedom. But we do not propose to impose our particular way on other diverse peoples—most of whom are in different stages of development.

And, very specifically, our present foreign policy naturally seems to maintain a strong Free World coalition, designed to antidote the aggression and subversion of the Kremlin.

Our main problem, of course, is not in the definition of foreign policy and its goals, but in seeking to apply the right concept to changing conditions in the world today.

From the standpoint of foreign policy, we are living in one of the most interesting eras in history. Almost every day, there is some dramatic change in the world which vitally affects our foreign policy.

FIVE TROUBLED AREAS AND PROBLEMS

In all areas of the world there are potential trouble spots:

(a) There is continuing unrest in the Russian-dominated satellite nations of Eastern Europe. Thus, a challenge arises: What should be our United States policy toward, for example, the Gomulka government, in Communist Poland?

(b) On the continent of Africa, there remains the possibility of serious violence between France and Tunisia.

So, we face the challenge: How can we accomplish the need for continued United States friendship with France in NATO and the need for United States friendship with the former colonial peoples of the Asian-African-Middle East bloc?

(c) A little further east, we have seen within the past few months the formation of two new Federations of Arab States. There is always danger in this area also of renewal of hostilities between Arab nations and Israel.

So, how can the United States use its good offices to help relieve this bitter feuding within this area? How can we prevent the Soviets from fishing in the Mid-East's troubled waters?

(d) Further east, danger mounts in civil-war-torn Indonesia. The threat of communism in this vital Republic is very real, and must be watched most carefully by formulators of our Nation's policies.

What should be our policy there—in a land where in the first national elections, the Communists polled no less than 6 million votes—one-sixth of all the ballots cast?

(e) Completing the circle of the globe we come to the 170 million people in our neighboring republics to the south. Within the past few months we have seen new governments take over in Argentina, Colombia, Venezuela, and Guatemala. Ninety miles away, a serious situation exists in revolution-torn Cuba. And there are even some areas of friendly disagreement between the United States and her best friend and closest neighbor, Canada.

What should be our policy toward these nations?

Clearly, changing world conditions dictate that our policy must be flexible, but it must be positive; it must adhere to principle. We must be prepared to meet an issue, head on, at a moment's notice. With this background, let us move into the main topic of discussion this afternoon: meeting the challenges of foreign policy.

THE MANYFOLD CHALLENGE OF COMMUNISM

Aggressive communism, itself, of course, represents the greatest challenge to our Nation, and to the Free World today. It is a total threat. It is not only military; it is economic, political, yes, moral and psychological as well.

One of the most pressing dilemmas today is that of trying to determine the sincerity of the Russian leaders in their continuous voicing of peaceful overtures.

We have learned through painful experience that the Kremlin does not honor its obligations.

We have learned through virtually every meeting between Russian and American leaders that the Soviet Union uses conferences and meetings solely for her own propaganda gains, and not for the ultimate goal of a reduction of tension.

SOVIET FALSIFYING OF SUMMIT ISSUE

As you are aware, Russia's continual insistence on a summit meeting on her terms tends to place us at a serious disadvantage from the propaganda standpoint.

Radio Moscow eagerly pounces on our insistence on thorough advance preparations before a summit meeting. The Red radio proceeds to distort our position—a rightly cautious and necessarily somewhat complex position.

As advertisers, you know that sometimes it is hard to simplify a complex case or a product with complex virtues. In seeking to simplify, you advertisers nonetheless adhere to truth in your ads. But the irresponsible Reds simplify issues to the point of utter distortion and misrepresentation.

"We peace-loving Communists are willing to negotiate for peace; the warmongering United States is not willing—it is as simple as all that." So lies Radio Moscow or Radio Prague or Peiping. "If America wanted peace, she would eagerly meet at the summit." So runs the Red line.

We must naturally disprove such falsehoods. So, we face the continuous challenge to convince not only the people in Communist nations and uncommitted countries throughout the world of our sincere desire for peace, but in some instances, we must even convince those whom we consider to be our close allies.

This is basically the task of our United States Information Agency. It is a task which is, by and large, being competently fulfilled, I believe, despite all the many obstacles in our way.

This campaign for truth must be stepped up. Under Mr. George V. Allen, that is precisely what is happening, especially in top-priority-target areas. The stakes are huge, of course.

The stakes are, as a matter of fact, survival itself.

MAJOR ISSUE: PEACE OR DESTRUCTION

There was a time when the United States was in the enviable position of being almost completely attackproof. During that era, America developed complacency and a feeling that no harm could come to her shores.

This complacency was partially destroyed when Japan staged her surprise attack on Pearl Harbor on December 7, 1941. For many months following this attack, there was serious doubt whether our isolation from the rest of the world would, indeed, protect us from direct attack. Fortune was with us throughout World War II, and we were spared the horrors of having our own nation devastated.

We are, of course, now well aware that even here in Buffalo, absolute security and freedom from attack is no longer even a remote possibility. Therefore, another challenge is that we must find a peaceful solution to our problems, or face an eventual cataclysmic war which might well mean the destruction of civilization as we know it.

World war III is definitely avoidable. It is your job and mine to keep that fact to the fore.

But if it is to be avoided, as it must be and can be, we must "nip in the bud" so-called little wars, before they explode in a big war. We must be adequate to our responsibilities in every area of the globe.

FIVE ACTIONS IN THE TROUBLED AREAS

Thus, let me refer specifically to the geographical challenges I mentioned at the outset.

In citing the concept of geography, however, let me mention this first: the problems in each region of the globe are interrelated. We are playing for keeps, not on 7 different chessboards, but on 1 global chessboard.

We can never allow ourselves to become so preoccupied with any one area that we forget all other areas.

Thus, specifically: (1) In dealing with Eastern Europe, we should, in my judgment, strengthen the ability of a satellite government, such as that of Premier Gomulka, to try to gain an increasing measure of independence from Moscow.

The sound-assistance agreement between the United States and Poland is, in my view, a step in the right direction.

It is not that we esteem Polish communism, as such. The reverse is true. We don't like communism at all. It is simply that we want to help anyone who tries to gain for the people of Eastern Europe even a fraction of increased freedom from Soviet domination.

Secondly, in north Africa, we should not shirk from the endeavor, in conjunction with our NATO friends, to urge that men of good will in France, Algeria, and Tunisia find some way out of the long, bloody stalemate of fighting in Algeria.

Thirdly, in the explosive Middle East, again, it is our task, without attempting to take on every burden, to seek to ease tensions. We should help encourage constructive solutions to economic, political, and military pressures then.

Fourthly, in the neutral Asian area of the globe it should be our policy to continue to give reasonable amounts of assistance to the underdeveloped nations. That includes, for example, aid to our friends in neutral India, Ceylon, and nearby lands.

It also includes aid to those lands like Pakistan, Thailand which are, fortunately, committed to us in the Southeast Asia Treaty Pact.

We must never, of course, interfere in the internal affairs of any country, Indonesia or anywhere else, but we must maintain an attitude of close attention to internal developments, as they affect us.

And fifth, here in our own hemisphere, we must seek the successful meeting of problems which we face with our Maple Leaf good neighbor to the north, and with the 20 Republics below the Rio Grande.

On March 31, our Canadian friends will hold their national election. Whatever the outcome and despite all the many problems which we face with Canada, I am confident that we will be effective in our negotiations.

NIXON'S VISIT DEMONSTRATES MORE ATTENTION TO LATIN AMERICA

But now let us turn to the other area which I mentioned—Latin America—in our own backyard, so to speak.

We are turning our attention to Central and South America now because for too long we have tended to devote the lion's share of our attention to Europe or Asia or, more recently, Africa.

The need for more attention to Latin America has been becoming more evident in the past few months. Officials of our Government are fully aware of this need. An example of this awareness is the welcome announcement last week that Vice President Nixon would attend the inauguration of Argentina's new President and would visit several other Latin American nations as a demonstration of our Nation's interest in our sister Republics of the Western Hemisphere.

We must continue to recognize the ferment which is going on in countries south of our borders. It is an economic ferment, a political ferment, and an ideological ferment.

Here as everywhere else, the hand of Moscow is evident. Its hand may be seen in occasional assassins' plots, in alluring trade pacts, in subversive liberation, in arms smuggling, in anti-American editorials and political speeches and elsewhere.

TREND TOWARD LIBERTY IN THE AREA

In recent months, we have seen a tremendous desire for liberty assert itself in many areas of Latin America.

1. Guatemala is trying to get back on her political feet after her bout with communism. Free elections in this Republic have installed a new President. However, many Communist agents who were driven out by the late President Castillo Armas are reported to be active once again in this nation. We must carefully watch developments in this country.

2. Argentina has held its first free election in many years. Soon a new President will assume office. He will have before him the tremendous task of rebuilding the economy of this great nation following the damage perpetrated on it by Dictator Peron. It is essential that our foreign policy with this country be one of willingness to offer assistance in any reasonable way so that Argentina may soon win her battle for a strong economy. The next few months in Argentina will be crucial. The so-called Soviet trade offensive will undoubtedly be especially active here in trying to create a climate of Argentina's dependence on Russia.

3. Colombia only last weekend held its first free election in many years. Here again the freedom-loving people of a great nation overthrew a dictatorial "strong man," President Rojas Pinilla. Now this Republic, like Argentina, must build a stable government and stable economy following years of oppression.

4. Venezuela, too, will soon be holding an election for President, after years of dictatorship. We earnestly hope that when this election is held, it will be won by individuals and parties who are on the side of democracy and friendly relations with the United States.

LATIN AMERICAN TRADE

Of particular interest to you businessmen in Buffalo is inter-American trade.

Trade relations between the United States and Latin America have long been mutually satisfactory. For example in 1956, we exchanged goods with Latin America, valued at approximately \$7.3 billion.

This trade consisted of goods valued at \$3.6 billion purchased by the United States from Latin America in order to maintain our Nation's industrial output.

The \$3.7 billion which Latin America spent with us went for a wide variety of manufactured and agricultural products which were required for the industrial development which is moving rapidly through this dynamic area.

Now, however, this equitable trade balance is being challenged by Russia. She dangles all sorts of barter and loan proposals to various hard-pressed, inflation-ridden economies. To the extent that we can, we should seek to prevent such economic

penetration in this vitally important market area.

LATIN AMERICA—AREA OF GREATEST POTENTIAL

Economically, Latin America is a sleeping giant. Her mineral resources have barely been tapped. Her industrial potential staggers the imagination.

Latin America has the fastest growing population in the world. Since 1900, the population in Latin America has tripled. Experts believe it will triple again by the year 2000, giving this area a total population of one-half billion persons. This is more than double the number of people predicted for the United States at that time.

In the past our Latin American neighbors feel they have been taken for granted. This is true to some extent. We knew they were our friends and we therefore gave them little special attention. Latin America was relatively unimportant in our battle against the Communist menace. Now, however, we must recognize the fact that Latin America is important not only to us, but to those who oppose us in ideology.

A FIVE-POINT PROGRAM FOR LATIN AMERICA

In order to assure more meaningful pan-American solidarity, I should like now to suggest action on five fronts:

1. First and perhaps most important of all is that our attitude toward the proud nations of Latin America be changed from that of "Big Brother" to that of "Twin Brother."

The nations of Latin America and the United States are indivisibly tied together not only through their geographic relationship, but also through a common history of discovery, development, and love of liberty. The fact that the United States developed industrially faster than countries in Latin America gives us no grounds for feelings of superiority.

Latin America is catching up fast. Within my lifetime, I have seen Latin America emerge from virtual obscurity to a position of tremendous potential. The next generation may well see the combined economic forces of Latin American nations narrow the gap between us in economic strength to a position near or absolute equality.

We must take note of the fact that within the next few years our relations with Latin America may well become the most important aspect of our foreign policy. We must be ready to meet the great challenge Latin America will soon offer.

DISCOURAGING NATIONALIZATION OF INDUSTRIES AND INFLATION

2. Secondly, we should seek to encourage a sounder private enterprise basis for Latin American industry, including mineral resources.

This is, as you know, an especially touchy point with our Latin friends. Several of them, as you know, seem to insist on nationalization of their petroleum and other mineral resources.

Their internal policies are their own prerogative. We will not, as I have earlier indicated, try to impose our private initiative concepts on anyone.

But we will not be shy about pointing out what we feel, in all frankness, to be the virtues of private as against nationalized enterprise.

Nor will we be shy in stating to our friends that, for their own good, they must keep a brake on their printing presses, so that they do not inflate their currencies to worthlessness.

We will not dictate. We will not lecture. But we will speak and should speak with friendship and candor, as equals.

THE PROBLEMS OF LIBERTY AND DICTATORSHIP

3. There is an even more sensitive issue as regards internal liberty in the 20 Republics.

Here again we would be less than frank if we did not indicate our traditional American preference for democracy, as against dictatorship.

But choosing a type of government is the entire prerogative of each nation and people. Each of the 20 nations varies unfortunately one from the other. In many lands, there is a heritage of turbulence under previous parliamentary rule. A dominant personality in Latin America tends to be more powerful than a political party or platform. Stability and maturity in these areas are earnestly desired.

And, above all, we hope for pro-American governments, regimes which are friendly to us because it is in our mutual interest that there be such friendships.

IMPORTS AGAINST OIL SYMBOLIZE UNWISE TRADE BARRIERS

4. Fourth, we must be most careful about imposing harmful trade restrictions against Latin products.

The present so-called voluntary restrictions against oil imports from friendly Venezuela are a mockery of the voluntary concept and a mockery of reciprocity.

The great petroleum industry in our country is no pygmy; it is big enough to stand on its own feet in relation to competition. That may not be true of other much smaller, much weaker industries in our land which do, on occasion, require a measure of protection in the national interest. More trade—a healthy climate of inter-American exchange—will serve to discourage further Russian trade advances in this hemisphere.

5. In our program of economic assistance to underdeveloped nations, we must take note of the fact that there is still great need for economic growth in more areas of Latin America. We cannot afford to have primitive economic weakness in our own hemisphere. A fair distribution of aid funds to this hemisphere is in order.

CONCLUSION

This is far from a complete account of what is needed even in this one area of the globe.

But at least it illustrates a few of the issues we face.

Foreign policy is, as you have noted, actually a reflection of the attitude of the majority of the American people. If we are to have a positive and dynamic foreign policy, we must have positive and dynamic thinking on the part of our citizens.

A spirit of friendship—confidence—dependence and strength is what our foreign policy must have if it is to be successful in achieving its objectives.

We in the United States have developed a reputation for being the world's greatest salesmen. In your profession, as advertising men, you know the tremendous importance of a good public relations campaign on the part of a product, a company or a community.

Our foreign relations program is, to a large extent a form of public relations program. We want people to like us—we want people to understand us—we are trying to "drum up" new customers.

We must prove to potential buyers that we offer a better system than the competition has to offer. This is the continuing challenge to our foreign policy.

In your relations with customers who visit this dynamic city of Buffalo from all parts of the world, you play an important role in selling America, as well as selling the products you represent.

So, too, successful foreign policy is a challenge, not only to those of us who are working directly on its formulation—it is a challenge to each of you as salesmen and advertisers of this Republic.

PUBLIC BUYING AS A MEANS OF STIMULATING BUSINESS

Mr. YARBOROUGH. Mr. President, I have received from Mr. W. A. Klecka, of Temple, Tex., a communication with

which he encloses a copy of an editorial entitled "President Should Reflect On Why Public Buying Isn't Heavy," published in the Temple Daily Telegram of April 11, 1958. I think it is very appropriate at this time in connection with the remarks of the distinguished senior Senator from Wisconsin [Mr. WILEY]. The editorial reads as follows:

PRESIDENT SHOULD REFLECT ON WHY PUBLIC BUYING ISN'T HEAVY

It is true enough that strong public buying would make business boom immediately, but President Eisenhower is more than a little naive if he thinks appeals from the White House will alone create this buying.

Buying slowed and savings increased because the American public asserted its own right to think for itself.

And what did it think?

It thought that it had been fooled again into one more round of the old Republican process of pouring money into the top of our economy in the hope that it would trickle down to the plain working citizen. Once again, the process worked just fine for those at the top of the economy, not at all for those below.

What else could the American public think? It saw the creation and application of a farm policy that reduced farm income and drove farmers off their land. It saw little business allowed—even encouraged, if the truth be told—to fail, or to go the merger or absorption route. It saw interest rates rigged to make money for Wall Street at the expense of the rest of us. It saw the application of an alleged anti-inflation policy that allowed the cost of living to keep climbing while it created unemployment.

The President's clear implication that only the stubborn public is responsible for our recession—he did take a poke at a few manufacturers, but carefully kept that safely vague—is unfair. The public has not lost confidence in the Nation, but in the administration that promised so much and has done so little, and most of that policy.

This loss of confidence in the Government now exists everywhere. The people simply don't have the feeling that the administration knows what it is doing and that feeling now very definitely includes Mr. Eisenhower, who enjoyed a long period of immunity. This feeling extends right on up to the big business and industry leaders who have benefited so much from this administration, as they prove daily in a hundred different ways.

That this may be or is unfair to Mr. Eisenhower, or at least harsh on him, can be freely admitted. But it is nonetheless true. It is today a fact of life, and happy talk for public consumption won't change it.

Our belief is that Congress, returning to work after an Easter vacation that brought it back in touch with the people, will promptly start to bring about some of the changes that will bolster public confidence and speed up our economic wheels.

Mr. President, I ask unanimous consent that Mr. Klecka's letter be printed in the Record at this point.

There being no objection, the letter was ordered to be printed in the Record, as follows:

TEMPLE, TEX., April 12, 1958.
HON. RALPH YARBOROUGH,
United States Senate,
Washington, D. C.

DEAR RALPH: I am enclosing a copy of an editorial in the Temple Telegram dated yesterday, April 11.

I, myself, think it is a masterpiece, dealing with facts as they have happened, are now happening, and will continue to do so as long as Eisenhower and his Republican regime will continue in office.

Pardon me for taking up your time reading this editorial, but it is so full of facts I could not resist sending it to you.

With best of wishes,
Sincerely,

W. A. KLECKA.

VETOING PROGRESS AT PORT LAVACA, TEX.

Mr. YARBOROUGH. Mr. President, in further answer to the distinguished senior Senator from Wisconsin [Mr. WILEY], I point out that it is the administration, not Congress, which is breaking down confidence. Recently the President vetoed the omnibus rivers and harbors bill, of which I hold a copy in my hand. I also hold in my hand a communication from the city of Port Lavaca, Tex. The bill which the President vetoed included a veto of progress at Port Lavaca, Tex. At that city there is an Alcoa plant which formerly employed 3,500 persons. Employment there has dropped to less than 1,900.

The rivers and harbors bill included an appropriation in the amount of \$413,000 for the deepening of the harbor channel. Had the channel been deepened, so the aluminum could be shipped out, the idle workers could be reemployed. In addition, there would be stimulation for other employment there. That channel meant deep water for this community. It held strong hope that Alcoa would return to normal production; that Alcoa would put men back to work, both on construction jobs and on the potlines in the aluminum plant.

But yesterday the President said, "No." He vetoed the bill which would have meant so much to this Texas town and would have meant so much to so many harbors throughout the Nation. The bill provided for numerous channel improvements, breakwaters, seawalls, and flood-control projects.

Mr. President, I ask unanimous consent that the telegram I have received from the Clegg Shrimp Co. be printed at this point in the RECORD.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

PORT LAVACA, TEX., April 15, 1958.

RAY YARBOROUGH,

Senate Office Building,

Washington, D. C.:

Deeply shocked by President's veto of rivers and harbors bill. Urge you to exhaust all possible means to completely assure that this veto will be overridden.

CLEGG SHRIMP CO.,
JOHN CLEGG, President.
R. E. CLEGG TRAWLERS,
R. E. CLEGG, Owner.

Mr. YARBOROUGH. Mr. President, I point out that the bill included projects for 6 harbors, 4 rivers, and other projects in Texas. The total amount involved for my State was \$46,480,000.

On an area basis, Texas would have been entitled to about \$125 million; on a population basis, my State would have been entitled to \$75 million of the \$1,500,000,000 appropriation instead of \$46,480,000. But whether based on population or on area, my State was getting a very small portion.

I shall vote to pass the bill over the President's veto, because the bill is for the benefit of all the American people.

Mr. President, the bill was passed by Congress—96 Senators and 435 Representatives. It represents the view of Congress. The Chief Executive should have approved it. Since he has not, I hope Congress will pass it over his veto.

DEFENSE REORGANIZATION

Mr. JAVITS. Mr. President, I wish to make a brief observation about the address delivered by the President of the United States at the luncheon meeting of the American Society of Newspaper Editors held at the Statler Hotel in Washington, in which the President backed up his program, sent to Congress yesterday, for the reorganization of the Department of Defense, in order to effectuate what is called the unified command and the unified strategic responsibility on the part of the United States.

I believe that if there is any disquiet in Congress about giving too much authority to the Secretary of Defense to deal with, roughly, the \$40 billion defense budget, we certainly know how to take care of that in terms of techniques. For example, percentage limitations might be placed upon the proposal, as has been done many times in respect to other appropriations and in respect to foreign aid. That matter should not be permitted to obscure the main point at issue.

The main point at issue is whether or not the United States now proposes, in that element of military preparation which is even greater than materiel, brains, and command, to go modern and to come abreast of the advance of modern technology, modern strategy, and modern weapons. That is the issue.

I believe the President has presented a program which is designed to effectuate that idea, and I consider it an honor and a privilege, as a Senator from New York, to work and fight in the Senate for that particular kind of program. I hope very much, and I have reason to believe, that many other Senators will, for the same reasons, join with me in that struggle.

PRINTING OF COMMITTEE PRINT "RECRUITING AND TRAINING FOR THE FOREIGN SERVICE OF THE UNITED STATES" AS A SENATE DOCUMENT

The PRESIDENT pro tempore. The hour of 2 o'clock having arrived, the Chair lays before the Senate the unfinished business, which will be stated.

The LEGISLATIVE CLERK. A resolution (S. Res. 281) authorizing the printing of the committee print "Recruiting and Training for the Foreign Service of the United States," as a Senate document.

ISRAEL—TEN YEARS OF INDEPENDENCE

Mr. JAVITS. Mr. President, I ask unanimous consent to have printed as a part of my remarks the text of a very unusual, revealing, and interesting interview with Mr. Ben-Gurion, Prime Minister of Israel, published in Look magazine for April 15, 1958.

The PRESIDENT pro tempore. Without objection, it is so ordered.

(See exhibit A.)

Mr. JAVITS. The significance of the interview, to which I specifically invite the attention of my colleagues, is as follows:

It is now 10 years since Israel gained its independence. Ten years is an adequate proving time. Israel has proved that she is and will continue to be a nation. Therefore, her policies, in view of the fact that she is the most Free World oriented nation in a critically incendiary part of the world, are extremely important to us.

What Mr. Ben-Gurion's interview reveals is that Israel understands and is able to put before the world clearly and exactly what she sees her future to be. It is dominated by three characteristics: first, the development of free institutions, free ideas, and higher standards of living. That is the great and hallowed tradition of our own constitutional freedom of government.

Second, no expansion and no aggression against others, with an adequate understanding of the amplitude of room within their own country for looking after the harassed and persecuted Jews who might come from anywhere, to whom Israel's door is always open.

Third, a deep understanding of the fact that they are in the Near East, that they belong there, that they want to be a part of that region, that they want peace and concord and stability with their neighbors, and that under all circumstances they hold out the hand of peaceful cooperation to their neighbors, notwithstanding the fulminations against them.

These are major and significant bases of statecraft. They demonstrate to us why there is such a closeness and affinity of ideals and relations between the people of the United States and the people of Israel.

Mr. President, as we celebrate this 10th anniversary of Israel's statehood and Israel's relations with the United States, I hope very much that many of our colleagues will read with great care this interview.

EXHIBIT A

BEN-GURION TALKS—HE REVEALS FRANKLY WHAT HE THINKS ABOUT NASSER—ABOUT AMERICAN JEWS AND THEIR RELATIONS WITH ISRAEL—ABOUT GERMANS, ARABS, WAR, AND PEACE

Israel will be 10 years old next month. Its Prime Minister, David Ben-Gurion, is 71. Yet the two have much in common. Both are small, cocky, energetic, loaded with brains—and likable. It is hard to imagine the one without the other. The nation is the fulfillment of Ben-Gurion's lifelong dream; and he is, has been, and will probably always be Mr. Israel.

That is why I flew over 13,000 miles to talk with him. We talked for more than 2 hours on February 28 in his unpretentious office in the Defense Ministry at Tel Aviv. As I listened to him, I realized why the Arabs have found him such a formidable opponent. This Polish-born pioneer farmer, combat soldier, classical scholar, and veteran politician is as shrewd as they come—and as hard as a nut. He knows what he wants for Israel. I could understand how an Israeli, after 10 years of independence, would feel good just knowing that "B-G" is still around—and still the boss.

Like Israel, born and weaned in battle, Ben-Gurion can also be brusque. He neither minces nor wastes words. So when I began by explaining that my questions would be pretty rough, he broke in impatiently, "Go ahead, go ahead. Ask me anything you want." Turn the page for the questions and Prime Minister Ben-Gurion's answers.

The last time I was in the Middle East—less than a year ago—I was talking to President [Gamal Abdel] Nasser about the chances of peace in this part of the world. He pointed out that your army invaded Egypt just a few days after you said you would never start a war. "How can you negotiate with a man like that?" he added. Doesn't Nasser have a good point there? Nasser talks as if he were the one who wants to negotiate. Two years ago, an important intermediary—I can't tell you who—came to me and then went to Nasser in an effort to bring us together. I was willing, but Nasser refused. He even refused to stop the shooting along the border.

Nasser is convinced that you and the French were out to overthrow him. Is that true? We have no treaty with France, and I will not—I cannot—speak for the French. As for us, what would we accomplish by overthrowing him? That would not solve any problems.

Just 3 years ago this morning, you personally ordered a military raid on Gaza in which 38 Egyptians were killed and 33 wounded. C. L. Sulzberger recently wrote in the New York Times that this brutal assault is what caused Nasser to revise his policies and make his arms deal with Russia. Do you agree? Have you heard of the fedayeen? These people, trained and armed by Nasser, were crossing the border, killing our farmers working in their fields, killing our children going to school. There were just three things we could do: We could let them go on killing—but not even Gandhi would have accepted that. We could retaliate in the same way—but why should we kill other innocent people? Or we could destroy the fedayeen bases. This we did—this was the purpose of our action. And we will do it again if the fedayeen resume their raids.

Isn't it true that the fedayeen raids started only after you made your attack on Gaza? No. I was in a border village called Patish where people had been killed. They did not feel safe any more. That was when we decided to take action.

You said recently that you were worried about the new Egypt-Syria and Iraq-Jordan federations because these countries were all aggressive military dictatorships. Yet Israel, a democracy, has been condemned four times in the past 5 years by the U. N. Security Council or General Assembly for military aggression against Egypt, Syria, and Jordan. Don't they—with no such record—have more reason to be worried about Israel? First of all, we are worried because it is obvious Nasser must try to take over Jordan—and perhaps Iraq too. Otherwise, his United Arab Republic is very disunited indeed. This could mean violence or, anyway, trouble. As to the U. N. condemnations, the reason the Arabs have not also been condemned is that one of the big powers has the power of veto. So there are two standards—one for us, one for the Arabs—and we are usually discriminated against. But we are used to it; we are patient. As to their being afraid of us—look at the figures: 40 million against fewer than 2 million; an area 60 times bigger than ours; at least 4 times as many weapons, and of far better quality. Some of them get arms from the greatest power in the East, and some from the greatest power in the West as well. If the Arabs have any self-respect, how can they be afraid of us?

You also said, "If Iraqi troops approach the Jordan River, we will have to reserve our liberty of action." Does this mean you will invade Jordan? I can't say more than that. What we will do depends on circumstances.

You don't cross a bridge until you reach it—and I hope we will not reach it.

A Cairo broadcast in Hebrew this month invited Israel to join the United Arab Republic—with full freedom of action in domestic and foreign affairs. Would you consider such an offer? If they mean it seriously, we are willing to consider the offer. In fact, we are trying to find out whether they are serious or not. Personally, I think it was merely propaganda. If they are serious, why didn't they also broadcast in Arabic so that their own people would hear it?

Going back to Nasser's complaint, do you now regret launching the Sinai campaign—or would you strike again the way you did if you felt threatened by another military buildup in Egypt? I don't regret it at all. Why should I? I do know there are Americans—some very responsible ones—who now regret their negative attitudes toward us at the time. As to the second part of your question, it is hypothetical, so I would rather not answer it.

But wasn't your Sinai excursion a failure? After all, didn't Nasser come out of it with his prestige intact, and aren't the Arabs more suspicious of you than ever? A failure? Just look at some of the consequences: Until the Sinai campaign, the Arab refugees really believed that they would soon return to Israel and get everything there is in it. But now, I am told by a U. N. refugee administrator, they are disillusioned. They no longer believe what they are told by the Arab leaders. They want to be resettled elsewhere. Second, Egypt, Jordan and Syria had a military alliance aimed at us. It doesn't exist any more. We proved it was just a paper pact. Third—and this is important—they won't be thinking of attacking us for some time at least—unless, of course, they get volunteers from a foreign power. So now we can get on with our work, knowing we are more or less safe. Fourth, we have asserted our right to freedom of navigation, recognized by many maritime powers, and the Gulf of Aqaba is now open. There are many other reasons—such as the disappearance of the fedayeen. These are the main things that made the Sinai campaign worth while.

Do you think the United States has been wrong in sending arms to Iraq, Jordan and Saudi Arabia? You are twice wrong—for sending arms to them and for not sending arms to us.

How do you feel about the Soviet proposal to ban all arms shipments to the Middle East? The trouble with this proposal is that there is no arms balance today. A ban would leave the Arabs with a tremendous superiority. Instead, we would prefer to go further. We would agree to complete disarmament of Israel and all the nations of the Middle East—except for Turkey, which is in a special situation. Do you think we want to go on spending money for arms? We would much rather spend it on education and development. Of course, to make general disarmament effective, we would need a very good system of inspection. But that's up to the Arabs; we are ready to cooperate.

You are spending more than \$100 million a year on defense. Where are you getting your military equipment? People are buying it—where, I can't tell you. I am not doing the buying myself, and my associates are quite secretive. But it is not coming from America, I am sorry to say.

During the past 10 years, Israel has been receiving the equivalent of about \$500,000 a day from American sources. Do you believe our lavish support of Israel has helped or hurt America in the Middle East? What is America's basic interest in the Middle East? It is not oil—you have plenty of oil. It is not exploitation—on the contrary, you want people to prosper so that they will not become victims of subversion. America needs to make this part of the world safe for freedom. To accomplish this, your aid should provide things that people need, not things

that dictators need. Here, the Arab governments are all dictatorships, and you give them arms. This does not help the people at all. But your aid to Israel is constructive, and it does help people preserve their freedom and satisfy their economic and cultural needs. Therefore, it conforms to America's basic interest in the Middle East.

If an American Jew refused to contribute to Israel, would you consider him a bad Jew? A good Jew, a bad Jew—these are rather subjective terms. As far as I'm concerned, an American Jew can do what he likes. If he doesn't want to support Israel, that's his business.

Is Judaism a nationality or a religion? Judaism is a peoplehood and a religion. The Jews are one people, with a common historical heritage and, in a way, a common destiny. A Jew is, of course, a citizen of the country where he lives, with all duties and rights of a citizen. The Jewish religion is quite different from Christianity. Christianity has nothing to do with peoplehood. But a religious Jew must believe that God made a covenant with Abraham: "To you and to your descendants I give this country." Moreover, all our religious holidays celebrate events in our history as a people. Doesn't that introduce an element of nationality? I believe there is a certain identity of destiny between all Jews in the world. If a Jew is persecuted in Germany, it affects a Jew in America. If a Jew makes a great scientific discovery, other Jews are proud. That is why, here in Israel, we are trying to make a highly civilized country that will give Jews, wherever they may be, a sense of pride.

In America, Judaism is divided into three large branches—reform, conservative, and orthodox. Why can't a reform or conservative Jew find a temple of his persuasion in Israel? Send me 10,000 reform Jews, and I can promise you they will have their own synagogues and rabbis. Let them try. They will see that we have freedom of religion here.

In 1953, you wrote, "When a Jew in America speaks of our Government to his fellow Jews, he usually means the Government of Israel, while the Jewish public in various countries view the Israeli Ambassadors as their own representatives." Do you still believe that American Jews are Israelis first and Americans second? In this quotation, I was merely repeating what some foreign teachers of Hebrew once told me in Jerusalem. I suppose it was natural for them to talk as they did while they were in Israel. But I never said that American Jews are Israelis first or last. Only Jews living in Israel are Israelis. Of course, there is a Jewish community in the world, and it is inevitable that an American Jew should feel a kinship with Israel in the same way that other Americans feel a kinship with the Irish or the Italians or whatever people they are descended from.

Do you still regard the 10 million Jews who live outside Israel as "exiles," and is Israel's primary mission still the "ingathering of the exiles"? Yes, though I would not use the term "exiles." I prefer "diaspora." Of course, I am not so naive as to think that America's 5 million Jews are going to flock over here—though I do wish that more would come, young ones especially. I realize that an American Jew enjoying full equality feels more comfortable where he is—with his car and television set and other things we are short of over here—but I still don't believe it is possible to enjoy a full Jewish life outside Israel. Jews who do not want or need to settle in Israel are probably doing what they believe is best for them; they just don't feel as I do.

What if Russia suddenly permitted its 2,500,000 Jews to emigrate to Israel? Where would you put them? I wish we were faced with that problem. However, even if this happened, I don't think more than half

would choose to come. Meanwhile, don't worry—we have plenty of room for them within our present boundaries.

What is the maximum population that Israel can sustain? When that point is reached, will you stop further immigration? Can you tell me what is America's maximum population? I doubt it. My own feeling is that Israel has room for all the Jews who need to come. That is about 4 million—mostly from Eastern Europe and the Moslem countries. Remember that Belgium, with 9 million souls, is not much bigger than Israel. We can easily double our agricultural production; the sea is also a source of food and raw materials. Industry? We are just getting started. And why should we not become a great maritime power? But our biggest asset is our will—and our initiative, our creative ability and pioneering spirit. We are not inferior to anyone where brains are concerned. So why talk of limits? All I can say is that no decent Jew who wants to come to Israel will ever be turned away.

Israel has received almost \$2 billion in aid since 1948, three quarters of it from the United States. How much more will you need in the next 10 years to stay in business as a nation? That depends entirely on our rate of immigration. If it continues at the present rate of 75,000 a year, we will need help for some time to come.

You get substantial reparations from West Germany. When will you establish diplomatic relations? Whenever Germany is ready. There will be no difficulty here. Some people in Israel oppose it, but they are a minority. Why should we go on hating the Germans—especially the new generation who had nothing to do with the Hitler period?

Do you consider Israel to be a Middle Eastern state or a Western beachhead in this area? We are the only real Middle Eastern nation here. Only the Jews speak the same language and practice the same faith as in Biblical times. No other people in Syria, Lebanon, Iraq and Egypt preserved their national language or culture. The next time you see Nasser, ask him to say something in the Egyptian language.

Let me conclude with a few questions about war and peace. That's what mostly concerns Americans when they think about the Middle East. You said last fall you were ready to sign a treaty of peace and friendship with the Arabs. On what terms? On terms of equality and mutual interest—including full economic, political and cultural cooperation. Our aim is to recreate the prosperity that this area enjoyed in the past. Do you believe that a majority of the Arab leaders are reconciled to the fact that Israel is here to stay? I can't say. I suspect that some of them are, but they don't dare say so.

You have said you will make no preconditions to discussing a settlement with the Arabs. Yet you have also said that the 1947 U. N. partition plan, which you once accepted, can no longer be a basis for discussion. Isn't this a precondition? No. That plan means the partition of Israel. And I will discuss the partition of Israel only if Nasser is willing to discuss the partition of Sinai. I would then tell him he had no legitimate claim on the Sinai Peninsula. That's what I mean by terms of equality.

Nasser told me last year that an overall peace settlement would have to take into consideration the right of the Arab refugees to return to their homes. Do you see any room for fruitful negotiation here? If he is willing to talk peace, we are willing to discuss the refugees. And we will make constructive proposals to solve the problem for the good of the refugees.

How can you say that Israel has no room to take back any Arab refugees when you also talk of admitting 4 million Jews? We Jews are pioneers. The Arabs are not. Can you

imagine an Arab going to live in the Negev to do what some of my friends are doing? I know men with university degrees creating settlements out of a wasteland with their hands and muscles and brains. Our people have the urge, the willingness to sacrifice. Such people we have room for. But the Arabs have never done this. On the contrary, they have turned prosperous countries into deserts.

Israelis say they feel threatened by hostile Arab neighbors. The Arabs fear you. So why won't you allow U. N. forces to patrol your side of the border—both as self-protection and as proof to the Arabs that you are not going to attack them? As to self-protection, we'll take care of that ourselves. As to proving our good intentions, let the Arabs test them by offering peace. After all, we are the ones who are always proposing peace. I might add that, if I were an Arab, I would be ashamed to be afraid of Israel.

One of the tragedies here is that there is so little communication between Jews and Arabs. Would you consider an exchange program of, say, students and editors as a means of creating better understanding on both sides? Oh, yes, we would gladly do that. We did have an Egyptian journalist here last year, but his stories were censored when he got home and later prohibited.

As a personal peace gesture, would you consider flying to Cairo to meet with Nasser—if he were agreeable? Or do you share the opinion of those who refer to him as another Hitler? I would definitely go to Cairo, any time he invites me. I really don't know what sort of a man he is, though I suspect his ambition is to be the dominating leader in Africa and the Moslem world. But I have never thought of him as a Hitler; I don't think he would or could do what Hitler did. Therefore, I would not hesitate to negotiate with him as man to man.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Kent, its enrolling clerk, communicated to the Senate the resolutions of the House adopted as a tribute to the memory of Hon. W. KERR SCOTT, late a Senator from the State of North Carolina.

ADJOURNMENT TO MONDAY

Mr. MANSFIELD. Mr. President, under the order previously entered, I now move that the Senate stand adjourned.

The motion was agreed to; and (at 2 o'clock and 1 minute p. m.) the Senate adjourned, the adjournment being, under the order previously entered, to Monday, April 21, 1958, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate April 17, 1958:

IN THE ARMY

The following-named officer for reappointment to the active list of the Regular Army of the United States, in the grade indicated, from the temporary disability retired list, under the provisions of title 10, United States Code, section 1211:

To be major general

James Alward Van Fleet, O3847.

The following-named officer for advancement on the retired list in the grade indicated under the provisions of title 10, United States Code, section 3962:

To be general

James Alward Van Fleet, O3847.

HOUSE OF REPRESENTATIVES

THURSDAY, APRIL 17, 1958

The House met at 12 o'clock noon. The Chaplain, Rev. Bernard Braskamp, D. D., offered the following prayer:

Matthew 5: 9: *Blessed are the peacemakers, for they shall be called the children of God.*

Most merciful and gracious God, Thou art always instructing us in the ways of truth and righteousness and inspiring us to be peacemakers.

Help us to bring our lives consciously and continuously into complete harmony with what Thou dost desire and demand.

Grant that when anxieties and doubts assail us we may find our joy and strength in the glorious promise that, "Thou will keep him in perfect peace whose mind is stayed on Thee."

May we be strong in the Lord and in the power of His might, for Thou art our God forever and ever and will be our guide even unto death.

Hear us in Christ's name. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had adopted the following resolution:

Senate Resolution 290

Resolved, That the Senate has heard with profound sorrow and deep regret the announcement of the death of Hon. W. KERR SCOTT, late a Senator from the State of North Carolina.

Resolved, That a committee of Senators be appointed by the Presiding Officer of the Senate to attend the funeral of the deceased.

Resolved, That the Secretary communicate these resolutions to the House of Representatives and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect to the memory of the deceased the Senate do now adjourn.

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 3497. An act to expand the public facility loan program of the Community Facilities Administration of the Housing and Home Finance Agency, and for other purposes.

The message also announced that the Senate disagrees to the amendments of the House to the joint resolution (S. J. Res. 12) entitled "Joint resolution to provide for transfer of right-of-way for Yellowtail Dam and Reservoir, Hardin Unit, Missouri River Basin project, and payment to Crow Indian Tribe in connection therewith, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. MURRAY, Mr. ANDERSON, and Mr. MALONE to be the conferees on the part of the Senate.

PROGRAM FOR TODAY AND NEXT WEEK

Mr. MARTIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.